

FEB 16 2010

Clerk's Office  
N.C. Utilities Commission

# "Quarterly Review"

## *Selected Financial and Operational Data:*

### *Re: Electric Companies*

- *Carolina Power & Light Company,  
d/b/a Progress Energy Carolinas, Inc.*
- *Duke Energy Carolinas, LLC*
- *Virginia Electric and Power Company,  
d/b/a Dominion North Carolina Power*

### *Natural Gas Local Distribution Companies*

- *Piedmont Natural Gas Company, Inc.*
- *Public Service Company of North Carolina, Inc.*

### *Telecommunications Companies*

- *BellSouth Telecommunications, Inc.,  
d/b/a AT&T North Carolina*
- *Carolina Telephone and Telegraph Company LLC,  
d/b/a CenturyLink*
- *Central Telephone Company, d/b/a CenturyLink*
- *Citizens Telephone Company*
- *LEXCOM Telephone Company*
- *Mebtel, Inc., d/b/a CenturyLink*
- *North State Telephone Company, d/b/a  
North State Communications*
- *Verizon South Inc.*
- *Windstream Concord Telephone, Inc.*
- *Windstream North Carolina, LLC*

■ *Quarter Ending September 30, 2009* ■



# State of North Carolina

## Utilities Commission

4325 Mail Service Center  
Raleigh, NC 27699-4325

COMMISSIONERS  
EDWARD S. FINLEY, JR., Chairman  
ROBERT V. OWENS, JR.  
LORINZO L. JOYNER

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WILLIAM T. CULPEPPER, III  
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TONOLA D. BROWN-BLAND

February 10, 2010

### MEMORANDUM

**TO:** Chairman Edward S. Finley, Jr.  
Commissioner Robert V. Owens, Jr.  
Commissioner Lorinzo L. Joyner  
Commissioner William T. Culpepper, III  
Commissioner Bryan E. Beatty  
Commissioner Susan W. Rabon  
Commissioner ToNola D. Brown-Bland

**FROM:** Donald R. Hoover, Director *DRH*  
Operations Division

The Operations Division hereby presents for your consideration the *Quarterly Review* for the calendar quarter ending September 30, 2009. Such report, which has been prepared by the Operations Division, presents an overview of selected financial and operational information and data for 15 major investor-owned public utilities regulated by the Commission.

Should you have questions concerning the report, Freda Hilburn, Bliss Kite, or I will be pleased to be of assistance.

Thank you for your consideration.

DRH/FHH/BBK/kah

## *Table of Contents*

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| <i>Part</i> |   | <i>Page</i> |
|-------------|---|-------------|
| I           | <i>Introduction</i>   | 1           |
| II          | <i>Review of Key Financial Ratios:</i>  | 7           |
|             | ■ <i>Summary Statement of Key Financial Ratios For Six Selected Companies For The Twelve Months Ended September 30, 2009 — Returns on Common Equity, Overall Rates of Return, Common Equity Capitalization Ratios, and Debt Ratios — And Certain Rate Case Data</i> | 8           |
|             | ■ <i>Statement of Authorized Returns on Common Equity and Overall Rates of Return Granted By Various Public Utility Regulatory Agencies As Reported By <u>Public Utilities Reports</u>, Volume Nos. 269-276, from December 2008 Through November 2009</i>           | 10          |
| III         | <i>Overviews of Selected Financial and Operational Data By Utility:</i>   | 12          |
|             | ■ <i>Electric Companies:</i>  |             |
|             | ■ <i>Carolina Power &amp; Light Company, d/b/a Progress Energy Carolinas, Inc.</i>  | 13          |
|             | ■ <i>Duke Energy Carolinas, LLC</i>   | 14          |
|             | ■ <i>Virginia Electric and Power Company, d/b/a Dominion North Carolina Power</i>   | 15          |
|             | ■ <i>Natural Gas Local Distribution Companies:</i>  |             |
|             | ■ <i>Piedmont Natural Gas Company, Inc.</i>   | 16          |
|             | ■ <i>Public Service Company of North Carolina, Inc.</i>   | 17          |
|             | ■ <i>Telecommunications Companies:</i>  |             |
|             | ■ <i>BellSouth Telecommunications, Inc., d/b/a AT&amp;T North Carolina</i>  | 18          |
|             | ■ <i>Carolina Telephone and Telegraph Company LLC, d/b/a CenturyLink</i>  | 19          |

***Table of Contents — continued***

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| <b><i>Part</i></b> |   | <b><i>Page</i></b> |
|--------------------|---|--------------------|
| <b>III</b>         | <b><i>Overviews of Selected Financial and Operational Data<br/>— continued:</i></b> |                    |
|                    | <b>■ <i>Telecommunications Companies — continued:</i></b>                           |                    |
|                    | ▪ <i>Central Telephone Company, d/b/a CenturyLink</i>                               | <i>20</i>          |
|                    | ▪ <i>Citizens Telephone Company</i>   | <i>21</i>          |
|                    | ▪ <i>LEXCOM Telephone Company</i>   | <i>22</i>          |
|                    | ▪ <i>Mebtel, Inc., d/b/a CenturyLink</i>  | <i>23</i>          |
|                    | ▪ <i>North State Telephone Company, d/b/a<br/>North State Communications</i>        | <i>24</i>          |
|                    | ▪ <i>Verizon South Inc.</i>   | <i>25</i>          |
|                    | ▪ <i>Windstream Concord Telephone, Inc.</i>   | <i>26</i>          |
|                    | ▪ <i>Windstream North Carolina, LLC</i>   | <i>27</i>          |
| <b>IV</b>          | <b><i>Appendix A – Distribution List</i></b>  |                    |

# *Part I*

## *Introduction*

- *The purpose, structure, focus, and an abbreviated synopsis of the nature of the contents of this report is presented here.*

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The *Quarterly Review* has been designed and is structured so as to provide, in a clear and concise format, relevant and useful financial and operational information pertaining to 15 major investor-owned public utilities regulated by the North Carolina Utilities Commission (Commission): three electric companies, two natural gas local distribution companies, and ten telecommunications companies. The primary focus of this report is one of a jurisdictional financial nature. However, albeit limited, certain jurisdictional operational information is also included.

To a vast extent the information presented herein is organized into individual company overviews. The data presented covers a period of five years, except for one natural gas company (Piedmont) for which only four years of data is available as a result of a consolidation in 2005 of three regulated entities into one. From a general viewpoint, the individual company overviews, excluding to a certain extent those of the price regulated telephone companies, for which information is strictly limited, provide information that users of this report will find helpful from the standpoint of gaining insight into each company's jurisdictional financial standing and in acquiring a sense of the magnitude of each company's overall jurisdictional economic dimension.

Significant changes have taken place with regard to reporting requirements for the price regulated telephone companies, effective for reporting periods beginning with calendar year 2003, as a result of further relaxed regulation of the telecommunications industry. Due to these changes, the financial and operational data submitted to the Commission by such companies are significantly less comprehensive than that previously provided.

The aforementioned reporting requirement changes for the price regulated telephone companies were implemented by Orders dated January 2 and April 16, 2004, in Docket No. P-100, Sub 72b, in response to passage of Senate Bill 814 (An Act to Clarify the Law Regarding Competitive and Deregulated Offerings of Telecommunications Services), and as previously indicated, were effective for reporting periods beginning with calendar year 2003. Specifically, in the present regard, the April 16, 2004 Order approved the Annual Report Proposal submitted, on March 4, 2004, by the major price regulated telephone companies, which effectively superseded the TS-1 Report previously submitted annually by the price regulated telephone companies. Consequently, beginning with the 4<sup>th</sup> quarter 2003 *Quarterly Review*, which includes information and data for the 12-month period ending December 31, 2003, earnings, access line, and certain other data for the price regulated telephone companies are no longer provided. Further, the information provided by the nine<sup>1</sup>

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<sup>1</sup> On April 22, 2009, the Commission issued an Order Approving Price Regulation Plan for implementation by LEXCOM Telephone Company (LEXCOM) in Docket No. P-31, Sub 145, effective no later than July 1, 2009. LEXCOM elected for its price regulation plan to become effective on June 8, 2009; consequently, beginning with the reporting period ending December 31, 2009, LEXCOM will provide its annual report in accordance with the reporting requirements for the price regulated telephone companies.

price regulated telephone companies is presented on a total North Carolina combined basis, including both their regulated and nonregulated operations, as that is what is now being provided to the Commission.

Further, on June 30, 2009, House Bill 1180 (HB1180) became law as set forth in Session Law 2009-238. Said law, entitled “An Act Establishing the Consumer Choice and Investment Act of 2009,” created a new category of price plan in which any local exchange carrier or competing local provider may opt into by simply “filing notice of its intent to do so with the Commission,” with such election being effective immediately upon filing. Subsection (h) price plans<sup>2</sup> provide for extensive deregulation of an eligible company’s “terms, conditions, rates, or availability” relating to its retail services. While such deregulation is very extensive by historical standards, it is not a complete deregulation of the telecommunications industry.<sup>3</sup> On October 5, 2009, in Docket No. P-55, Sub 1013M, BellSouth Telecommunications, Inc., d/b/a AT&T North Carolina filed its notice of election of a Subsection (h) price plan as provided for in HB1180. To date, AT&T North Carolina is the only local exchange carrier to make such an election.

This report has been prepared solely for the use of the Commission. The responsibility for developing and preparing the report is that of the Commission's Operations Division (Division). The preponderance of the information and data included in and/or on which the report is based has been provided by the companies. Such data has not been audited or otherwise verified. Therefore, the Division, although it believes the aforesaid data to be true and correct in each and every respect, cannot and does not offer any attestation in that regard.

### *A Specific Objective*

A specific objective of this reporting process is to present to the Commission, on an ongoing basis, meaningful information regarding the financial viability of the subject companies, including the reasonableness of the overall levels of rates and charges currently being charged by jurisdictional utilities, whose rates are cost based, for their sales of services. Cost based regulation is synonymous with rate base, rate of return regulation.

Under rate base, rate of return regulation, the cost of service of a public utility is defined as the sum total of reasonable operating expenses, depreciation, taxes, and a reasonable return on the net valuation of property used and useful in providing public utility services. Therefore, the reasonableness of a public utility's rates is a function of the reasonableness of the level of each individual component of its cost of service.

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<sup>2</sup> In general, the Commission refers to the new price plan category which resulted from the passage of HB1180 as “Subsection (h) price plans”.

<sup>3</sup> See Docket No. P-100, Sub 165 for additional information regarding the implications of the enactment of HB1180 and the implementation of Subsection (h) price plans.

The reasonable return component of the cost of service equation refers to the overall rate of return related to investment funded by all investors, including debt investors as well as preferred and common equity investors. The costs of debt capital and preferred stock, which are essentially fixed by contract, must be deducted from revenue, like all other components of the cost of service, in determining income available for distribution to common stockholders. Therefore, generally speaking, a very meaningful measure of the profitability of any utility, and consequently the reasonableness of its overall rates and charges, is the return earned on its common shareholders' investment, i.e., its return on common equity, over some specified period of time. Typically, such returns are measured over a period of one year. Thus, annual returns on common equity and certain other key financial ratios, which among other things give significant perspective to the common equity returns, are the focal points of this report.

### *The Key Financial Ratios*

Specifically, the key financial ratios presented herein for use in reviewing the companies' financial viabilities, including their profitability and consequently the reasonableness of their rates and charges are (1) the return on common equity, (2) the common equity capitalization ratio, (3) the pretax interest coverage ratio, and (4) the overall rate of return.

#### *The Return on Common Equity*

As indicated, the return on common equity is a key financial indicator which measures the profitability of an enterprise from the standpoint of its common stockholders over some specified period of time. That return or earnings rate reflects the ratio of earnings available for common equity to the common-equity investors' capital investment. As previously stated, the ratio is significant because it traditionally represents profitability after all revenues and costs, other than the cost of common equity capital, have been considered. From the standpoint of measuring profitability, return on common equity is indeed "the bottom line".

#### *The Common Equity Capitalization Ratio*

The common equity capitalization ratio is the ratio of common equity capital to total investor-supplied capital of the firm. That ratio is significant because it is a major indicator of the financial riskiness of the firm, particularly from the standpoint of the common stockholders. The issuance of debt capital, assuming no offsetting decrease in preferred stock, decreases the common equity capitalization ratio, and its existence creates what has come to be known as financial leverage. The risk borne by shareholders that accompanies that leverage is known as financial risk. As the proportion of debt in the capital structure increases, so does the degree of financial leverage and thus shareholders' risk and consequently the shareholders' requirements regarding expected return, i.e., the expected return on common equity or, in regulatory jargon, the cost of common equity capital.



Alternatively, the financial riskiness of the firm, some might argue, is more appropriately revealed when expressed in terms of debt leverage, particularly when preferred stock is present in the capital structure. Such leverage is the ratio of long-term debt capital to total investor-supplied capital. Both approaches are clearly insightful and useful. In evaluating the superiority of one approach in comparison to the other, one should consider the context within which the information is to be used. Since a major objective of this report is to review the reasonableness of the levels of earnings of the companies' common stockholders, and in consideration of the other key financial benchmarks which are also presented herein, the common equity capitalization ratio appears to be the most appropriate and meaningful measure of the financial riskiness of the companies for use in this regard.

### *The Pretax Interest Coverage Ratio*

The pretax interest coverage ratio is the number of times earnings, determined before consideration of income taxes and interest charges, cover annual interest charges. That financial indicator is particularly important to debt investors because holders of the company's outstanding debt, including long-term bonds, receive interest payments from the company before any earnings are determined to be available for distribution to preferred or common equity investors. Pretax interest coverage is measured before income taxes because interest expense is deductible in arriving at taxable income. Therefore, generally speaking, debt holders can expect to be paid before the company incurs any liability for the payment of income taxes. From the debt holder's perspective, all other things remaining equal, the higher the pretax interest coverage the better.

### *The Overall Rate of Return*

The overall rate of return measures the profitability of a firm from the standpoint of earnings on total investment, including investment funded by both debt and equity investors. Specifically, in the public utility regulatory environment, it is the ratio of operating income to total investment.

### *The Propriety of the Methodology*

The foregoing financial benchmarks, as presented in this report, have been determined on the basis of the companies' actual operating experience. Under rate base, rate of return regulation, North Carolina statutes require that the companies' rates be determined on a normalized, pro forma, end-of-period basis based upon an historical test period. Stated alternatively, the Commission, in setting prospective rates, essentially, must take into account the company's current level of operations adjusted for known and material changes in the levels of revenues and costs that the company can reasonably be expected to experience over a reasonable period of time into the future. Thus, rates, which are established for use prospectively, are set, to a certain extent and within certain constraints, on the basis of revenue and cost expectations, including investor expectations regarding their return requirements, as opposed to simply setting prospective rates solely on the basis of actual operating experience.

**The process of setting prospective rates is inherently and exceedingly time consuming, difficult, and otherwise costly to both companies and regulators. It involves the assimilation, investigation, and evaluation of enormous amounts of complex information and data which invariably leads to multifarious issues; many, if not most, of which must be resolved through adjudication.**

**It is far less difficult and costly to perform an intellectual, financial analysis of the need to undertake the aforesaid process. Such preliminary analysis avoids the unnecessary incursion of the immense costs of setting prospective rates. Those are precisely the reasons why this report is focused on a review of the returns on common equity and other key financial ratios which the companies are currently earning or achieving under their existing rates and charges. Those ratios, when considered in conjunction with statutory ratemaking requirements, prevailing economic conditions, and certain other financial indicators, including returns on common equity and overall rates of return currently being authorized by other public utility regulatory agencies, are meaningful indicators of the need, if any, for further, more extensive regulatory review.**

**From the standpoint of giving an added measure of meaning to the aforesaid ratios of the individual companies and in the interest of providing a sense of current financial market conditions, certain financial information has been included herein as notes to the first statement included in Part II of this report. Such notes are an integral part of this report.**

**Additionally, also from the standpoint of providing perspective, returns on common equity and overall rates of return currently being authorized by a number of other public utility regulatory agencies are provided in the second statement presented in Part II.**

### *A Final Note*

**It is emphasized that the information contained in this report is not intended and should not be construed to be all inclusive from the standpoint of the criteria to be used in assessing the reasonableness of the companies existing rates. But rather, it is submitted that such information is clearly relevant to such a determination and as such should be considered in conjunction with all other pertinent information and data.**

**The Operations Division will be pleased to receive and respond to any questions or comments.**

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## ***Part II***

### ***A Review of Key Financial Ratios***

- ***Summary Statement of Key Financial Ratios For Six Selected Companies For The Twelve Months Ended September 30, 2009 – Returns on Common Equity, Overall Rates of Return, Common Equity Capitalization Ratios, and Debt Ratios – And Certain Rate Case Data***
  
- ***Statement of Authorized Returns on Common Equity and Overall Rates of Return Granted By Various Public Utility Regulatory Agencies As Reported By Public Utilities Reports, Volume Nos. 269-276 from December 2008 Through November 2009***

**Summary Statement  
Of Key Financial Ratios Achieved By  
And Authorized For Selected Companies**

\*Estimated Returns on Common Equity, Overall Rates of Return,  
Common Equity Capitalization Ratios, and Debt Ratios are for Twelve Months Ended September 30, 2009,  
Except for Certain Telecommunications Companies - See Note [1]\*

\*Rate Case Data are from Orders with Various Issue Dates as Indicated in Column (i)\*

| Line No.  | Item (a)   | Estimated for 12 Months Ended 09/30/09 |                            |                  |                | Authorized - Last Rate Case |                            |                  |                        |
|---|--|--|----------------------------|------------------|----------------|-----------------------------|----------------------------|------------------|------------------------|
|   |  | Return On Equity (b)                   | Overall Rate of Return (c) | Equity Ratio (d) | Debt Ratio (e) | Return On Equity (f)        | Overall Rate of Return (g) | Equity Ratio (h) | Date of Last Order (i) |
| <b>Electric Companies</b>                       |  |  |                            |                  |                |                             |                            |                  |                        |
| 1.  | Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc.    | 11.78%                                 | 8.95%                      | 55.35%           | 43.94%         | 12.75%                      | 10.45%                     | 44.00%           | 08/05/1988             |
| 2.  | Duke Energy Carolinas, LLC   | 9.47%                                  | 7.59%                      | 52.03%           | 47.97%         | 10.70%                      | 8.38%                      | 52.50%           | 12/07/2009             |
| 3.  | Virginia Electric and Power Company, d/b/a Dominion North Carolina Power | 7.08%                                  | 6.41%                      | 50.49%           | 47.56%         | N/A                         | N/A                        | N/A              | 03/18/2005             |
| <b>Natural Gas Local Distribution Companies</b> |  |  |                            |                  |                |                             |                            |                  |                        |
| 4.  | Piedmont Natural Gas Company, Inc.                                       | 12.13%                                 | 8.38%                      | 45.33%           | 54.87%         | 10.60%                      | 8.55%                      | 51.00%           | 10/24/2008             |
| 5.  | Public Service Company of North Carolina, Inc.                           | 11.82%                                 | 8.32%                      | 49.47%           | 50.53%         | 10.80%                      | 8.54%                      | 54.00%           | 10/24/2008             |
| <b>Telecommunications Companies</b>             |  |  |                            |                  |                |                             |                            |                  |                        |
| <u>Rate of Return Regulated Companies</u>       |  |  |                            |                  |                |                             |                            |                  |                        |
| 6.  | Citizens Telephone Company   | 4.64%                                  | 4.64%                      | 100.00%          | 0.00%          | 12.70%                      | 10.11%                     | 44.95%           | 02/26/1991             |
| <u>Price Plan Regulated Companies</u>           |  |  |                            |                  |                |                             |                            |                  |                        |
| --- Data is not available. See Note [1] ---     |  |  |                            |                  |                |                             |                            |                  |                        |
| 7.  | BellSouth Telecommunications, Inc., d/b/a AT&T North Carolina            |  |                            |                  |                |                             |                            |                  |                        |
| 8.  | Carolina Telephone and Telegraph Company LLC, d/b/a CenturyLink          |  |                            |                  |                |                             |                            |                  |                        |
| 9.  | Central Telephone Company, d/b/a CenturyLink                             |  |                            |                  |                |                             |                            |                  |                        |
| 10.   | LEXCOM Telephone Company   |  |                            |                  |                |                             |                            |                  |                        |
| 11.   | Mebtel, Inc., d/b/a CenturyLink  |  |                            |                  |                |                             |                            |                  |                        |
| 12.   | North State Telephone Company, d/b/a North State Communications          |  |                            |                  |                |                             |                            |                  |                        |
| 13.   | Verizon South Inc.   |  |                            |                  |                |                             |                            |                  |                        |
| 14.   | Windstream Concord Telephone, Inc.                                       |  |                            |                  |                |                             |                            |                  |                        |
| 15.   | Windstream North Carolina, LLC   |  |                            |                  |                |                             |                            |                  |                        |

NOTES: [1] Reporting requirement changes for the major price regulated telephone companies were implemented, in response to passage of Senate Bill 814, by Commission Orders dated January 2 and April 16, 2004, in Docket No. P-100, Sub 72b, effective for reporting periods beginning with calendar year 2003. The April 16, 2004 Order approved the Annual Report Proposal submitted, on March 4, 2004, by the major price regulated telephone companies, which effectively superseded the annual TS-1 Report previously required. Consequently, beginning with the 4th quarter 2003 "Quarterly Review", which includes information and data for the 12-month period ending December 31, 2003, earnings and certain other data for the price regulated telephone companies are no longer provided.

[2] N/A denotes that the data is not available.

[3] In its March 18, 2005 Order Approving Stipulation, in Docket No. E-22, Sub 412, the Commission did not make certain determinations with respect to Dominion North Carolina Power's (Dominion's) capital structure and rates of return. The Commission concluded that the stipulation presented an appropriate resolution of the contested matters in the rate case proceeding and resulted in just and reasonable rates for Dominion, without making specific findings regarding rate base, operating revenues and expenses, the overall rate of return, and the return on common equity.

[4] Pursuant to the Commission's December 20, 2007 Order in Docket No. E-7, Sub 828, all North Carolina jurisdictional reporting and accounting for Duke Energy Carolinas, LLC - Nantahala Area is consolidated with Duke Energy Carolinas, LLC.

[5] On April 22, 2009, the Commission issued an Order Approving Price Regulation Plan for implementation by LEXCOM in Docket No. P-31. Sub 145, effective no later than July 1, 2009. LEXCOM elected for its price regulation plan to become effective on June 8, 2009.

**Summary Statement  
Of Key Financial Ratios Achieved by  
And Authorized for Selected Companies**

"Estimated Returns on Common Equity, Overall Rates of Return,  
Common Equity Capitalization Ratios, and Debt Ratios are for Twelve Months Ended September 30, 2009,  
Except for Certain Telecommunications Companies - See Note [1]"

NOTES - continued

NOTES: [6] Selected financial market indicators from "Moody's Credit Trends" updated on February 1, 2010 follow:

Part I

| Line No. | Date<br>(a)            | U.S. Treasury Securities |                      |                      | Dealer-<br>Placed<br>3-Month<br>CP<br>% | Moody's<br>Long-Term<br>Corporate<br>Bond Yield<br>% |
|----------|------------------------|--------------------------|----------------------|----------------------|---|--|
|          |                        | 3-Month<br>Bill<br>%     | 10-Year<br>Note<br>% | 30-Year<br>Bond<br>% |   |  |
|          |                        | (b)                      | (c)                  | (d)                  | (e)                                     | (f)  |
| 1.       | January 29, 2010       | 0.08                     | 3.63                 | 4.51                 | ND                                      | 5.73   |
| 2.       | January 28, 2010       | 0.08                     | 3.68                 | 4.57                 | ND                                      | 5.79   |
| 3.       | January 27, 2010       | 0.08                     | 3.66                 | 4.55                 | ND                                      | 5.76   |
| 4.       | January 26, 2010       | 0.07                     | 3.65                 | 4.56                 | ND                                      | 5.77   |
| 5.       | January 25, 2010       | 0.06                     | 3.66                 | 4.55                 | ND                                      | 5.75   |
| 6.       | Month of December 2009 | 0.05                     | 3.61                 | 4.51                 | 0.28                                    | 5.78   |
| 7.       | Month of November 2009 | 0.05                     | 3.41                 | 4.34                 | 0.28                                    | 5.68   |

Part II

Moody's public utility long-term bond yield averages (%):

| Line No. | Rating<br>(a) | 1/29/2010 [7]<br>(b) | Past 12 Months |            | Monthly Average  |                  |
|----------|---------------|----------------------|----------------|------------|------------------|------------------|
|          |               |                      | High<br>(c)    | Low<br>(d) | Jan. 2010<br>(e) | Dec. 2009<br>(f) |
| 1.       | Aa            | 5.55                 | 6.23           | 5.15       | 5.55             | 5.52             |
| 2.       | A             | 5.73                 | 6.49           | 5.53       | 5.77             | 5.79             |
| 3.       | Baa           | 6.09                 | 8.03           | 6.12       | 6.16             | 6.26             |

[7] Most recent data available when this edition of the *Quarterly Review* was prepared. According to "Moody's Credit Trends", updated on February 1, 2010, such long-term bond yield averages are derived from pricing data on a regularly-replenished population of nearly 90 seasoned corporate bonds in the United States market, each with current outstandings over \$100 million. Further, the bonds have maturities as close as possible to 30 years; bonds are dropped from the list if their remaining life falls below 20 years or if their ratings change.

[8] In previous *Quarterly Review* reports, the Commission has reported certain limited information pertaining to new bond offerings by public utilities; however, such information is no longer published in "Moody's Credit Trends". Consequently, such information is not being reported at this time.

**Statement of Authorized Returns**  
**On Common Equity and Overall Rates of Return**  
**Granted By Various Public Utility Regulatory Agencies As Reported In**  
**Public Utilities Reports, Volume Nos. 269-276, from December 2008 through November 2009**  
**(Statement Is All Inclusive With Respect To Returns Published)**

| Line No.  | Company (Jurisdiction)<br>(a)  | Authorized Returns   |                | Date Of Order<br>(d) | Volume No. Public Utilities Reports<br>(e) |
|---|--|----------------------|----------------|----------------------|--|
|   |  | Common Equity<br>(b) | Overall<br>(c) |                      |  |
| <b>Electric Companies</b>                       |  |                      |                |                      |  |
| 1.  | Tuscon Electric Power Company (AZ)                                       | 10.25%               | 8.03%          | 12/01/2008           | Volume 270                                 |
| 2.  | The Detroit Edison Company (MI)  | 11.00%               | 7.16%          | 12/23/2008           | Volume 270                                 |
| 3.  | Public Service Company of Oklahoma (OK)                                  | 10.50%               | 8.31%          | 01/14/2009           | Volume 270                                 |
| 4.  | Atlanta Power Company (ID)   | 12.00%               | 11.52%         | 12/19/2008           | Volume 271                                 |
| 5.  | The United Illuminating Company (CT)                                     | 8.75%                | 7.59%          | 02/04/2009           | Volume 271                                 |
| 6.  | Northern States Power Company (ND)                                       | 10.75%               | [1] N/A        | 01/14/2009           | Volume 271                                 |
| 7.  | Union Electric Company, d/b/a AmerenUE (MO)                              | 10.76%               | N/A            | 02/06/2009           | Volume 271                                 |
| 8.  | Tampa Electric Company (FL)  | 11.25%               | 8.11%          | 04/30/2009           | Volume 273                                 |
| 9.  | Indiana Michigan Power Company (IN)                                      | 10.50%               | 7.62%          | 03/04/2009           | Volume 273                                 |
| 10.   | Central Hudson Gas and Electric Corporation (NY)                         | 10.00%               | 7.28%          | 06/22/2009           | Volume 274                                 |
| 11.   | Duke Energy Ohio, Inc. (OH)  | N/A                  | 8.61%          | 07/08/2009           | Volume 275                                 |
| 12.   | Avista Corporation (ID)  | 10.50%               | 8.55%          | 07/17/2009           | Volume 275                                 |
| <b>Natural Gas Local Distribution Companies</b> |  |                      |                |                      |  |
| 13.   | Piedmont Natural Gas Company, Inc. (NC)                                  | 10.60%               | 8.55%          | 10/24/2008           | Volume 269                                 |
| 14.   | Southwest Gas Corporation (AZ)   | 10.00%               | N/A            | 12/24/2008           | Volume 270                                 |
| 15.   | New England Gas Company (MA)   | 10.05%               | 7.74%          | 02/02/2009           | Volume 271                                 |
| 16.   | Narragansett Electric, d/b/a National Grid (RI)                          | 10.50%               | N/A            | 01/29/2009           | Volume 272                                 |
| 17.   | Northern Illinois Gas Company, d/b/a Nicor Gas Company (IL)              | 10.11%               | 7.58%          | 03/25/2009           | Volume 272                                 |
| 18.   | Illinois Gas Company (IL)  | 10.94%               | 7.81%          | 05/13/2009           | Volume 273                                 |
| 19.   | EnergyNorth Natural Gas, Inc., d/b/a National Grid NH (NH)               | 9.54%                | N/A            | 05/29/2009           | Volume 273                                 |
| 20.   | Peoples Gas System (FL)  | 10.75%               | 8.50%          | 06/09/2009           | Volume 274                                 |
| 21.   | Central Hudson Gas and Electric Corporation (NY)                         | 10.00%               | 7.28%          | 06/22/2009           | Volume 274                                 |
| 22.   | Connecticut Natural Gas Corporation (CT)                                 | 9.31%                | 7.92%          | 06/30/2009           | Volume 274                                 |
| 23.   | Black Hills/Iowa Gas Utility Company, LLC, d/b/a Black Hills Energy (IA) | 10.10%               | 8.71%          | 06/03/2009           | Volume 275                                 |

**Statement of Authorized Returns**  
**On Common Equity and Overall Rates of Return**  
**Granted By Various Public Utility Regulatory Agencies As Reported In**  
**Public Utilities Reports, Volume Nos. 269-276, from December 2008 through November 2009**  
**(Statement Is All Inclusive With Respect To Returns Published)**

| Line No.  | Company (Jurisdiction)<br>(a)                                   | Authorized Returns   |                | Date Of Order<br>(d) | Volume No. Public Utilities Reports<br>(e) |
|---|---|----------------------|----------------|----------------------|--|
|   |   | Common Equity<br>(b) | Overall<br>(c) |                      |  |
| <b>Natural Gas Local Distribution Companies (continued)</b> |   |                      |                |                      |  |
| 24.   | Minnesota Energy Resources Corporation (MN)                     | 10.21%               | 7.98%          | 06/29/2009           | Volume 275                                 |
| 25.   | Avista Corporation (ID)   | 10.50%               | 8.55%          | 07/17/2009           | Volume 275                                 |
| 26.   | Wyoming Gas Company (WY)  | 10.87%               | 9.08%          | 08/10/2009           | Volume 275                                 |
| 27.   | Southern Connecticut Gas Company (CT)                           | 9.26%                | 8.05%          | 07/17/2009           | Volume 276                                 |
| 28.   | Orange and Rockland Utilities, Inc. (NY)                        | 10.40%               | [2] 8.49%      | 10/16/2009           | Volume 276                                 |
| <b>Water Companies</b>                                      |   |                      |                |                      |  |
| 29.   | Ohio-American Water Company (OH)                                | 10.88%               | 8.12%          | 11/12/2008           | Volume 269                                 |
| 30.   | Return on Common Equity for Water and Wastewater Utilities (FL) | [3]                  | N/A            | 12/31/2008           | Volume 271                                 |
| 31.   | California Water Service Company (CA)                           | 10.20%               | [4] 8.58%      | 05/07/2009           | Volume 272                                 |
| 32.   | California-American Water Company (CA)                          | 10.20%               | [4] 8.04%      | 05/07/2009           | Volume 272                                 |
| 33.   | Golden State Water Company (CA)                                 | 10.20%               | [4] 8.90%      | 05/07/2009           | Volume 272                                 |
| 34.   | West Virginia-American Water Company (WV)                       | 10.00%               | 8.10%          | 04/01/2009           | Volume 273                                 |
| 35.   | City of Waukesha Water Utility (WI)                             | 7.04%                | [5] 6.25%      | 06/05/2009           | Volume 274                                 |

**Notes:**

- [1] The settlement provides that if the utility earns in excess of 10.75% return on common equity during the 2009 and 2010 calendar years, the Company will refund to customers revenues corresponding to earnings as follows: 50% of earnings above 10.75% up to and including 11.25% and 75% of earnings above 11.25%.
- [2] The rate plan requires that any earnings in excess of an 11.4% return on equity (ROE) to be shared with ratepayers. Earnings between 11.4% ROE and 12.4% ROE would be shared equally, earnings between 12.4% ROE and 14% ROE would be shared 65% to ratepayers and 35% to the local distribution company (LDC), and earnings over 14% would be shared 90% to ratepayers and 10% to the LDC.
- [3] The Florida Public Service Commission's December 31, 2008 Order established an authorized range of returns on common equity (ROE) for water and wastewater utilities. The authorized range is based upon a leverage formula which, when applied, produces a range of authorized ROEs ranging from 9.48% at 100% equity to 12.67% at 40% equity. The ROE is capped at 12.67% for all water and wastewater utilities with equity ratios of less than 40%.
- [4] In its May 7, 2009 Order, the California Public Utilities Commission established the base year 2009 ratemaking return on common equity of three, large, multi-district water utilities. Such proceeding was the first proceeding for the three utilities in which the sole subject was cost of capital separated from a general rate case. In its Order, the Commission adopted an individual capital structure and weighted cost of capital for each of the utilities.
- [5] The Applicant's capital employed in providing utility service that is associated with the net investment rate base is estimated to be 71.40% municipal equity and 28.60% long-term debt.
- [6] N/A denotes that information is not available.

## ***Part III***

# ***Overviews of Selected Financial and Operational Data by Utility:***

### **■ *Electric Companies***

- *Carolina Power & Light Company,  
d/b/a Progress Energy Carolinas, Inc.*
- *Duke Energy Carolinas, LLC*
- *Virginia Electric and Power Company,  
d/b/a Dominion North Carolina Power*

### **■ *Natural Gas Local Distribution Companies***

- *Piedmont Natural Gas Company, Inc.*
- *Public Service Company of North Carolina, Inc.*

### **■ *Telecommunications Companies***

- *BellSouth Telecommunications, Inc.,  
d/b/a AT&T North Carolina*
- *Carolina Telephone and Telegraph Company LLC,  
d/b/a CenturyLink*
- *Central Telephone Company, d/b/a CenturyLink*
- *Citizens Telephone Company*
- *LEXCOM Telephone Company*
- *Mebtel, Inc., d/b/a CenturyLink*
- *North State Telephone Company, d/b/a  
North State Communications*
- *Verizon South Inc.*
- *Windstream Concord Telephone, Inc.*
- *Windstream North Carolina, LLC*



**CAROLINA POWER & LIGHT COMPANY, d/b/a  
PROGRESS ENERGY CAROLINAS, INC.**  
SELECTED FINANCIAL AND OPERATIONAL DATA  
North Carolina Retail Jurisdiction  
(Amounts in Thousands)

| Line No. | Item (a)   | 12 Months Ended   |                    |                    |                    |                    | Annual Growth Rate |                  |
|----------|--|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
|          |  | September 2009 (b)  | September 2008 (c) | September 2007 (d) | September 2006 (e) | September 2005 (f) | Four Year (g)      | Current Year (h) |
| 1.       | Operating Revenue                                | \$3,342,905   | \$3,179,844        | \$3,101,593        | \$2,906,457        | \$2,710,337        | 5.38%              | 5.13%            |
| 2.       | Operating Expenses:                              |   |                    |                    |                    |                    |                    |                  |
| 3.       | Fuel   | 1,093,070   | 908,238            | 903,272            | 765,440            | 625,317            | 14.98%             | 20.35%           |
| 4.       | Purchased Power                                  | 184,875   | 217,858            | 201,841            | 227,508            | 242,747            | -6.58%             | -15.14%          |
| 5.       | Maintenance                                      | 229,885   | 221,464            | 212,531            | 184,905            | 171,485            | 7.60%              | 3.80%            |
| 6.       | Other Operating Expenses                         | <u>560,079</u>  | <u>552,864</u>     | <u>516,916</u>     | <u>521,457</u>     | <u>536,163</u>     | <u>1.10%</u>       | <u>1.31%</u>     |
| 7.       | Total Operating Expenses                         | 2,067,909   | 1,900,424          | 1,834,560          | 1,699,310          | 1,575,712          | 7.03%              | 8.81%            |
| 8.       | Depreciation & Amortization                      | <u>360,612</u>  | <u>419,679</u>     | <u>423,779</u>     | <u>438,748</u>     | <u>467,489</u>     | <u>-6.28%</u>      | <u>-14.07%</u>   |
| 9.       | Total Expenses & Depreciation                    | 2,428,521   | 2,320,103          | 2,258,339          | 2,138,058          | 2,043,201          | 4.41%              | 4.67%            |
| 10.      | Total Operating Taxes                            | <u>427,507</u>  | <u>387,999</u>     | <u>381,977</u>     | <u>358,515</u>     | <u>319,572</u>     | <u>7.55%</u>       | <u>10.18%</u>    |
| 11.      | Total Expenses, Depr. & Taxes                    | <u>2,856,028</u>  | <u>2,708,102</u>   | <u>2,640,316</u>   | <u>2,496,573</u>   | <u>2,362,773</u>   | <u>4.85%</u>       | <u>5.46%</u>     |
| 12.      | Operating Income                                 | <u>\$486,877</u>  | <u>\$471,742</u>   | <u>\$461,277</u>   | <u>\$409,884</u>   | <u>\$347,564</u>   | <u>8.79%</u>       | <u>3.21%</u>     |
| 13.      | Net Plant Investment                             | <u>\$5,260,230</u>  | <u>\$4,908,246</u> | <u>\$4,745,861</u> | <u>\$4,713,823</u> | <u>\$4,696,448</u> | <u>2.87%</u>       | <u>7.17%</u>     |
| 14.      | Oper. Exp. as a % of Total Revenue               | 61.86%  | 59.76%             | 59.15%             | 58.47%             | 58.14%             | 1.56%              | 3.51%            |
| 15.      | Net Plt. Investment per \$ of Revenue            | \$1.57  | \$1.54             | \$1.53             | \$1.62             | \$1.73             | -2.40%             | 1.95%            |
| 16.      | Number of Customers Served (000s included):      |   |                    |                    |                    |                    |                    |                  |
| 17.      | Residential                                      | 1,095,481   | 1,083,172          | 1,063,520          | 1,039,781          | 1,016,408          | 1.89%              | 1.14%            |
| 18.      | Commercial                                       | 190,627   | 190,093            | 188,805            | 185,318            | 181,881            | 1.18%              | 0.28%            |
| 19.      | Industrial                                       | 4,026   | 3,940              | 3,461              | 3,532              | 3,575              | 3.01%              | 2.18%            |
| 20.      | Other  | <u>1,818</u>  | <u>1,875</u>       | <u>1,961</u>       | <u>2,024</u>       | <u>2,071</u>       | <u>-3.20%</u>      | <u>-3.04%</u>    |
| 21.      | Total Number of Customers                        | <u>1,291,952</u>  | <u>1,279,080</u>   | <u>1,257,747</u>   | <u>1,230,655</u>   | <u>1,203,915</u>   | <u>1.78%</u>       | <u>1.01%</u>     |
| 22.      | Annual Sales Volume: (Millions kWh)              |   |                    |                    |                    |                    |                    |                  |
| 23.      | Residential                                      | 15,165  | 14,799             | 14,789             | 14,237             | 14,196             | 1.66%              | 2.47%            |
| 24.      | Commercial                                       | 11,984  | 12,281             | 12,011             | 11,827             | 11,459             | 1.13%              | -2.42%           |
| 25.      | Industrial                                       | 8,181   | 9,102              | 9,116              | 9,290              | 9,561              | -3.82%             | -10.12%          |
| 26.      | Other  | <u>1,838</u>  | <u>2,312</u>       | <u>2,273</u>       | <u>2,661</u>       | <u>2,350</u>       | <u>-5.86%</u>      | <u>-20.50%</u>   |
| 27.      | Total Sales                                      | <u>37,168</u>   | <u>38,494</u>      | <u>38,189</u>      | <u>37,815</u>      | <u>37,566</u>      | <u>-0.27%</u>      | <u>-3.44%</u>    |
| 28.      | Estimated Overall Rate of Return                 | 8.95%   | 8.51%              | 8.01%              | 7.69%              | 6.99%              | 6.37%              | 5.17%            |
| 29.      | Estimated Return on Common Equity                | 11.78%  | 10.80%             | 10.21%             | 9.70%              | 8.15%              | 9.65%              | 9.07%            |
| 30.      | Common Equity Ratio                              | 55.35%  | 52.73%             | 48.18%             | 46.79%             | 49.52%             | 2.82%              | 4.97%            |
| 31.      | Debt Ratio                                       | 43.94%  | 46.46%             | 50.99%             | 52.34%             | 49.56%             | -2.96%             | -5.46%           |
| 32.      | Estimated Pretax Interest Coverage Ratio (Times) | 5.65  | 4.51               | 3.84               | 3.71               | 3.57               | 12.16%             | 25.28%           |
| 33.      | LAST RATE CASE                                   | Authorized Returns: Common Equity 12.75%, Overall 10.45%; Equity Ratio: 44.00%; Date of Order: 8-5-88 |                    |                    |                    |                    |                    |                  |
|          | (Docket No. E-2, Sub 537)                        |   |                    |                    |                    |                    |                    |                  |

Notes: [1] North Carolina retail jurisdictional revenue equates to 72% of total company electric utility revenue.  
[2] Net Plant Investment reflects net plant in service.  
[3] Source of Data: NCUC ES-1 Reports.

**DUKE ENERGY CAROLINAS, LLC**  
**SELECTED FINANCIAL AND OPERATIONAL DATA**  
North Carolina Retail Jurisdiction  
(Amounts in Thousands)

| Line No. | Item (a)   | 12 Months Ended  |                    |                    |                    |                    | Annual Growth Rate |                  |
|----------|--|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
|          |  | September 2009 (b)   | September 2008 (c) | September 2007 (d) | September 2006 (e) | September 2005 (f) | Four Year (g)      | Current Year (h) |
| 1.       | Operating Revenue                                | \$3,909,940  | \$4,050,819        | \$3,927,728        | \$3,712,822        | \$3,558,089        | 2.38%              | -3.48%           |
| 2.       | Operating Expenses:                              |  |                    |                    |                    |                    |                    |                  |
| 3.       | Fuel   | 1,020,584  | 1,055,829          | 907,920            | 842,866            | 669,799            | 11.10%             | -3.32%           |
| 4.       | Purchased Power                                  | 146,653  | 157,334            | 125,767            | 82,860             | 61,723             | 24.15%             | -6.79%           |
| 5.       | Maintenance                                      | 380,985  | 393,346            | 334,764            | 333,419            | 339,403            | 2.93%              | -3.14%           |
| 6.       | Other Operating Expenses                         | <u>730,098</u>   | <u>898,818</u>     | <u>687,680</u>     | <u>737,386</u>     | <u>635,969</u>     | <u>3.51%</u>       | <u>4.78%</u>     |
| 7.       | Total Operating Expenses                         | 2,278,320  | 2,303,225          | 2,036,131          | 1,998,531          | 1,706,894          | 7.49%              | -1.08%           |
| 8.       | Depreciation & Amortization                      | <u>473,504</u>   | <u>588,745</u>     | <u>701,339</u>     | <u>711,013</u>     | <u>782,947</u>     | <u>-11.24%</u>     | <u>-16.45%</u>   |
| 9.       | Total Expenses & Depreciation                    | 2,751,824  | 2,889,970          | 2,737,470          | 2,707,544          | 2,469,841          | 2.74%              | -4.12%           |
| 10.      | Total Operating Taxes                            | <u>505,208</u>   | <u>498,345</u>     | <u>485,599</u>     | <u>445,899</u>     | <u>479,898</u>     | <u>1.30%</u>       | <u>1.38%</u>     |
| 11.      | Total Expenses, Depr. & Taxes                    | <u>3,257,032</u>   | <u>3,388,315</u>   | <u>3,223,069</u>   | <u>3,153,443</u>   | <u>2,949,537</u>   | <u>2.51%</u>       | <u>-3.30%</u>    |
| 12.      | Operating Income                                 | <u>\$652,908</u>   | <u>\$682,504</u>   | <u>\$704,657</u>   | <u>\$559,379</u>   | <u>\$808,552</u>   | <u>1.73%</u>       | <u>-4.34%</u>    |
| 13.      | Net Plant Investment                             | <u>\$9,817,185</u>   | <u>\$9,224,000</u> | <u>\$8,883,426</u> | <u>\$8,231,182</u> | <u>\$8,072,922</u> | <u>5.01%</u>       | <u>8.43%</u>     |
| 14.      | Oper. Exp. as a % of Total Revenue               | 58.27%   | 58.86%             | 51.84%             | 53.77%             | 47.86%             | 4.99%              | 2.48%            |
| 15.      | Net Plt. Investment per \$ of Revenue            | \$2.51   | \$2.28             | \$2.21             | \$2.22             | \$2.27             | 2.54%              | 10.09%           |
| 16.      | Number of Customers Served (000s included):      |  |                    |                    |                    |                    |                    |                  |
| 17.      | Residential                                      | 1,574,597  | 1,566,757          | 1,481,556          | 1,451,353          | 1,420,637          | 2.81%              | 0.50%            |
| 18.      | Commercial                                       | 248,862  | 258,182            | 240,348            | 236,558            | 232,128            | 1.74%              | -2.94%           |
| 19.      | Industrial                                       | 5,538  | 5,584              | 5,262              | 5,531              | 5,626              | -0.39%             | -0.82%           |
| 20.      | Other  | <u>10,753</u>  | <u>10,559</u>      | <u>10,172</u>      | <u>9,868</u>       | <u>9,835</u>       | <u>2.26%</u>       | <u>1.84%</u>     |
| 21.      | Total Number of Customers                        | <u>1,839,550</u>   | <u>1,839,082</u>   | <u>1,737,338</u>   | <u>1,703,410</u>   | <u>1,688,224</u>   | <u>2.47%</u>       | <u>0.03%</u>     |
| 22.      | Annual Sales Volume: (Millions kWh)              |  |                    |                    |                    |                    |                    |                  |
| 23.      | Residential                                      | 21,012   | 20,620             | 20,006             | 19,308             | 18,820             | 2.79%              | 1.90%            |
| 24.      | Commercial                                       | 21,387   | 21,586             | 20,806             | 20,141             | 19,593             | 2.21%              | -0.92%           |
| 25.      | Industrial                                       | 11,693   | 13,862             | 14,064             | 14,621             | 15,107             | -8.20%             | -15.65%          |
| 26.      | Other  | <u>1,172</u>   | <u>2,980</u>       | <u>1,573</u>       | <u>774</u>         | <u>645</u>         | <u>16.10%</u>      | <u>-80.67%</u>   |
| 27.      | Total Sales                                      | <u>55,264</u>  | <u>59,048</u>      | <u>56,449</u>      | <u>54,844</u>      | <u>54,165</u>      | <u>0.50%</u>       | <u>-8.41%</u>    |
| 28.      | Estimated Overall Rate of Return                 | 7.59%  | 8.05%              | 9.01%              | 7.93%              | 9.17%              | -4.62%             | -5.71%           |
| 29.      | Estimated Return on Common Equity                | 9.47%  | 10.17%             | 11.86%             | 10.28%             | 12.75%             | -7.17%             | -6.88%           |
| 30.      | Common Equity Ratio                              | 52.03%   | 53.24%             | 53.26%             | 52.00%             | 53.34%             | -0.62%             | -2.27%           |
| 31.      | Debt Ratio                                       | 47.97%   | 46.78%             | 46.74%             | 47.10%             | 45.16%             | 1.52%              | 2.59%            |
| 32.      | Estimated Pretax Interest Coverage Ratio (Times) | 3.98   | 4.20               | 4.54               | 4.29               | 5.80               | -8.98%             | -5.24%           |
| 33.      | <b>LAST RATE CASE</b>                            | Authorized Returns: Common Equity 10.70%, Overall 8.38%; Equity Ratio: 52.50%; Date of Order: 12-07-08 |                    |                    |                    |                    |                    |                  |
|          | (Docket No. E-7, Sub 908)                        |  |                    |                    |                    |                    |                    |                  |

Notes: [1] North Carolina retail jurisdictional revenue equates to 70% of total company electric utility revenue.  
[2] Net Plant Investment reflects net plant in service.  
[3] Source of Data: NCUC ES-1 Reports.  
[4] The estimated ROE impacts of the BPM net revenues under the sharing arrangement approved in Docket No. E-7, Sub 751 are as follows for the 12-month periods ending September 30th: 2009 - N/A; 2008 - 0.07%; 2007 - 0.05%; 2006 - 0.93%; and 2005 - 0.79%. Such impacts are not included in the estimated ROEs presented on Line 29 above. Pursuant to the Commission's final Order in Docket No. E-7, Sub 828, effective January 1, 2008, 90% of the North Carolina retail BPM Net Revenues earned after December 31, 2007, are now included in the North Carolina retail cost of service for ratemaking and reporting purposes.  
[5] Columns (b) and (c) reflect that, pursuant to the Commission's December 20, 2007 Order in Docket No. E-7, Sub 828, all North Carolina jurisdictional reporting and accounting for Duke Energy Carolinas, LLC - Nantahala Area is consolidated with Duke Energy Carolinas, LLC.

**VIRGINIA ELECTRIC AND POWER COMPANY, d/b/a**  
**DOMINION NORTH CAROLINA POWER**  
**SELECTED FINANCIAL AND OPERATIONAL DATA**  
North Carolina Retail Jurisdiction  
(Amounts in Thousands)

| Line No. | Item (a)   | 12 Months Ended  |                    |                    |                    |                    | Annual Growth Rate |                  |
|----------|--|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
|          |  | September 2009 (b)   | September 2008 (c) | September 2007 (d) | September 2006 (e) | September 2005 (f) | Four Year (g)      | Current Year (h) |
| 1.       | Operating Revenue                                | \$322,191  | \$309,767          | \$312,033          | \$287,710          | \$288,080          | 2.84%              | 4.01%            |
| 2.       | Operating Expenses:                              |  |                    |                    |                    |                    |                    |                  |
| 3.       | Fuel   | 82,803   | 59,751             | 89,379             | 63,117             | 63,971             | 6.66%              | 38.58%           |
| 4.       | Purchased Power                                  | 68,524   | 105,650            | 80,495             | 76,530             | 68,460             | 0.02%              | -35.14%          |
| 5.       | Maintenance                                      | 0  | 0                  | 0                  | 0                  | 0                  | N/A                | N/A              |
| 6.       | Other Operating Expenses                         | 72,339   | 70,381             | 64,045             | 55,281             | 55,482             | 6.87%              | 2.78%            |
| 7.       | Total Operating Expenses                         | 223,666  | 235,782            | 233,919            | 194,928            | 187,893            | 4.45%              | -5.14%           |
| 8.       | Depreciation & Amortization                      | 33,621   | 30,915             | 29,109             | 25,792             | 28,725             | 4.01%              | 8.75%            |
| 9.       | Total Expenses & Depreciation                    | 257,287  | 266,697            | 263,028            | 220,720            | 216,618            | 4.40%              | -3.53%           |
| 10.      | Total Operating Taxes                            | 32,704   | 24,372             | 29,787             | 28,229             | 30,793             | 1.52%              | 34.19%           |
| 11.      | Total Expenses, Depr. & Taxes                    | 289,991  | 291,069            | 292,815            | 248,949            | 247,411            | 4.05%              | -0.37%           |
| 12.      | Operating Income                                 | \$32,200   | \$18,698           | \$19,218           | \$38,761           | \$40,869           | -5.67%             | 72.21%           |
| 13.      | Net Plant Investment                             | \$633,374  | \$612,432          | \$599,061          | \$599,013          | \$602,696          | 1.25%              | 3.42%            |
| 14.      | Oper. Exp. as a % of Total Revenue               | 69.42%   | 76.12%             | 74.97%             | 67.75%             | 65.22%             | 1.57%              | -8.80%           |
| 15.      | Net Plt. Investment per \$ of Revenue            | \$1.97   | \$1.98             | \$1.92             | \$2.08             | \$2.09             | -1.47%             | -0.51%           |
| 16.      | Number of Customers Served (000s included):      |  |                    |                    |                    |                    |                    |                  |
| 17.      | Residential                                      | 100,727  | 100,687            | 100,140            | 99,458             | 98,555             | 0.55%              | 0.04%            |
| 18.      | Commercial                                       | 15,486   | 15,513             | 15,487             | 15,408             | 15,415             | 0.11%              | -0.17%           |
| 19.      | Industrial                                       | 59   | 60                 | 66                 | 69                 | 69                 | -3.84%             | -1.67%           |
| 20.      | Other  | 2,261  | 2,261              | 2,256              | 2,244              | 2,256              | 0.06%              | 0.00%            |
| 21.      | Total Number of Customers                        | 118,533  | 118,521            | 117,949            | 117,179            | 116,295            | 0.48%              | 0.01%            |
| 22.      | Annual Sales Volume: (Millions kWh)              |  |                    |                    |                    |                    |                    |                  |
| 23.      | Residential                                      | 1,597  | 1,532              | 1,546              | 1,504              | 1,545              | 0.83%              | 4.24%            |
| 24.      | Commercial                                       | 804  | 810                | 795                | 778                | 778                | 0.83%              | -0.74%           |
| 25.      | Industrial                                       | 1,464  | 1,783              | 1,737              | 1,751              | 1,745              | -4.29%             | -17.89%          |
| 26.      | Other  | 145  | 146                | 146                | 148                | 150                | -0.84%             | -0.68%           |
| 27.      | Total Sales                                      | 4,010  | 4,271              | 4,224              | 4,181              | 4,218              | -1.26%             | -6.11%           |
| 28.      | Estimated Overall Rate of Return                 | 6.41%  | 3.87%              | 3.84%              | 7.73%              | 8.32%              | -6.31%             | 65.63%           |
| 29.      | Estimated Return on Common Equity                | 7.08%  | 2.33%              | 2.14%              | 9.70%              | 11.29%             | -11.01%            | 203.86%          |
| 30.      | Common Equity Ratio                              | 50.49%   | 50.41%             | 53.10%             | 50.23%             | 47.85%             | 1.35%              | 0.16%            |
| 31.      | Debt Ratio                                       | 47.56%   | 45.38%             | 40.75%             | 43.71%             | 45.80%             | 0.95%              | 4.80%            |
| 32.      | Estimated Pretax Interest Coverage Ratio (Times) | 3.39   | 2.12               | 2.77               | 4.08               | 4.40               | -6.31%             | 59.91%           |
| 33.      | LAST RATE CASE<br>(Docket No. E-22, Sub 412)     | Authorized Returns: Common Equity - N/A, Overall - N/A; Equity Ratio: N/A; Date of Order: 03-18-05 |                    |                    |                    |                    |                    |                  |

Notes: [1] North Carolina retail jurisdictional revenue equates to 5% of total company electric utility revenue.  
[2] Net Plant Investment reflects net plant in service.  
[3] Source of Data: NCUC ES-1 Reports.  
[4] N/A denotes that the data is not available or not applicable or that information is, essentially, unmeaningful.

**PIEDMONT NATURAL GAS COMPANY, INC.**  
**SELECTED FINANCIAL AND OPERATIONAL DATA**  
North Carolina Jurisdiction  
(Amounts in Thousands)

| Line No. | Item (a)   | 12 Months Ended  |                    |                    |                    | Annual Growth Rate |                  |
|----------|--|--|--------------------|--------------------|--------------------|--------------------|------------------|
|          |  | September 2009 (b)   | September 2008 (c) | September 2007 (d) | September 2006 (e) | Three Year (f)     | Current Year (g) |
| 1.       | Operating Revenue:                                 |  |                    |                    |                    |                    |                  |
| 2.       | Residential  | \$558,664  | \$532,594          | \$529,740          | \$578,173          | -1.14%             | 4.89%            |
| 3.       | Commercial   | 337,268  | 318,123            | 300,243            | 342,590            | -0.52%             | 8.02%            |
| 4.       | Industrial   | 51,334   | 116,471            | 100,459            | 127,842            | -26.22%            | -55.93%          |
| 5.       | Public Authorities                                 | 215  | 398                | 397                | 444                | -21.47%            | -45.71%          |
| 6.       | Other  | <u>78,136</u>  | <u>89,192</u>      | <u>84,774</u>      | <u>86,129</u>      | <u>-3.19%</u>      | <u>-9.34%</u>    |
| 7.       | Total Operating Revenue                            | <u>1,025,619</u>   | <u>1,053,776</u>   | <u>1,015,613</u>   | <u>1,135,178</u>   | <u>-3.33%</u>      | <u>-2.67%</u>    |
| 8.       | Cost of Gas  | <u>942,695</u>   | <u>692,691</u>     | <u>655,626</u>     | <u>781,160</u>     | <u>-6.30%</u>      | <u>-7.22%</u>    |
| 9.       | Margin   | 382,924  | 361,085            | 359,987            | 354,018            | 2.65%              | 6.05%            |
| 10.      | O & M Expenses                                     | 149,163  | 148,772            | 147,633            | 152,609            | -0.76%             | 0.26%            |
| 11.      | Other Deductions                                   | <u>128,733</u>   | <u>114,846</u>     | <u>111,866</u>     | <u>109,520</u>     | <u>5.54%</u>       | <u>12.09%</u>    |
| 12.      | Operating Income                                   | <u>\$105,028</u>   | <u>\$97,467</u>    | <u>\$100,488</u>   | <u>\$91,889</u>    | <u>4.56%</u>       | <u>7.76%</u>     |
| 13.      | Net Plant Investment                               | <u>\$1,569,133</u>   | <u>\$1,507,347</u> | <u>\$1,404,261</u> | <u>\$1,310,536</u> | <u>6.19%</u>       | <u>4.10%</u>     |
| 14.      | Operating Exp. as a % of Margin                    | 38.95%   | 41.20%             | 41.01%             | 43.11%             | -3.33%             | -5.46%           |
| 15.      | Net Plt. Investment per \$ of Margin               | \$4.10   | \$4.17             | \$3.90             | \$3.70             | 3.48%              | -1.68%           |
| 18.      | Gas Delivered in DTs (000s omitted):               |  |                    |                    |                    |                    |                  |
| 17.      | Residential  | 37,186   | 33,403             | 34,736             | 32,639             | 4.44%              | 11.33%           |
| 18.      | Commercial   | 27,562   | 23,293             | 24,423             | 23,262             | 5.82%              | 18.33%           |
| 19.      | Industrial   | 5,305  | 10,286             | 10,334             | 10,810             | -21.12%            | -48.43%          |
| 20.      | Public Authorities                                 | 16   | 29                 | 30                 | 30                 | -18.90%            | -44.83%          |
| 21.      | Other  | <u>98,193</u>  | <u>89,220</u>      | <u>87,621</u>      | <u>78,607</u>      | <u>7.70%</u>       | <u>10.06%</u>    |
| 22.      | Total DTs  | <u>168,262</u>   | <u>156,231</u>     | <u>157,144</u>     | <u>145,348</u>     | <u>5.00%</u>       | <u>7.70%</u>     |
| 23.      | Number of Customers (000s included):               |  |                    |                    |                    |                    |                  |
| 24.      | Residential  | 580,665  | 580,039            | 569,801            | 555,562            | 1.48%              | 0.11%            |
| 25.      | Commercial   | 63,041   | 62,678             | 62,334             | 61,766             | 0.68%              | 0.58%            |
| 26.      | Industrial   | 1,101  | 1,727              | 1,722              | 1,722              | -13.85%            | -36.25%          |
| 27.      | Public Authorities                                 | 360  | 451                | 571                | 571                | -14.25%            | -20.18%          |
| 28.      | Other  | <u>557</u>   | <u>548</u>         | <u>551</u>         | <u>569</u>         | <u>-0.71%</u>      | <u>2.01%</u>     |
| 29.      | Total Number of Customers                          | <u>645,724</u>   | <u>645,441</u>     | <u>634,979</u>     | <u>620,190</u>     | <u>1.35%</u>       | <u>0.04%</u>     |
| 30.      | Estimated Overall Rate of Return                   | 8.38%  | 8.02%              | 8.78%              | 8.47%              | -0.36%             | 4.49%            |
| 31.      | Estimated Return on Common Equity                  | 12.13%   | 10.05%             | 11.14%             | 10.47%             | 5.03%              | 20.70%           |
| 32.      | Common Equity Ratio                                | 45.33%   | 47.28%             | 48.44%             | 50.25%             | -3.38%             | -4.12%           |
| 33.      | Debt Ratio   | 54.67%   | 52.72%             | 51.56%             | 49.75%             | 3.19%              | 3.70%            |
| 34.      | Estimated Pretax Interest Coverage Ratio (Times)   | 4.20   | 3.42               | 3.63               | 3.71               | 4.22%              | 22.81%           |
| 35.      | <b>LAST RATE CASE</b><br>(Docket No. G-9, Sub 550) | Authorized Returns: Common Equity 10.60%, Overall 8.55%; Equity Ratio: 51.00%; Date of Order: 10-24-08 |                    |                    |                    |                    |                  |

Notes:

- [1] North Carolina retail jurisdictional revenue equates to approximately 69% of total company gas utility revenue.
- [2] Net Plant Investment reflects net plant in service.
- [3] Source of Data: Shareholders' reports and the NCUC GS-1 Reports.
- [4] In its November 3, 2005 Order Approving Partial Rate Increase and Requiring Conservation Initiative, in Docket No. G-9, Sub 499, the Commission authorized the consolidation of the operations, revenues, rate bases, and expenses of North Carolina Natural Gas, Piedmont Natural Gas Company, Inc., and Eastern North Carolina Natural Gas into a single regulated entity. Consequently, effective with the December 2005 NCUC GS-1 Report, financial and operational information for Piedmont Natural Gas Company, Inc., North Carolina Natural Gas, and Eastern North Carolina Gas are reported as one consolidated entity under the name, Piedmont Natural Gas Company, Inc. and consequently, comparisons to years prior to 2006 are not meaningful.
- [5] Lines 28 and 29, Column (d), have been restated from those amounts previously reported in the Commission's *Quarterly Review*, for the quarters ending September 30, 2007 and September 30, 2008, issued on February 12, 2008 and May 29, 2009, respectively, to correct an oversight which resulted in the erroneous exclusion of "Other" customers in the total number of customers reported in the Company's GS-1 Report for the quarter ending September 30, 2007.

**PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.**  
**SELECTED FINANCIAL AND OPERATIONAL DATA**  
North Carolina Jurisdiction  
(Amounts in Thousands)

| Line No. | Item (a)   | 12 Months Ended  |                    |                    |                    |                    | Annual Growth Rate |                  |
|----------|--|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
|          |  | September 2009 (b)   | September 2008 (c) | September 2007 (d) | September 2006 (e) | September 2005 (f) | Four Year (g)      | Current Year (h) |
| 1.       | Operating Revenue:                                 |  |                    |                    |                    |                    |                    |                  |
| 2.       | Residential  | \$388,730  | \$380,342          | \$354,378          | \$376,786          | \$331,814          | 4.04%              | 2.21%            |
| 3.       | Commercial   | 157,891  | 169,735            | 152,537            | 194,279            | 162,385            | -0.70%             | -6.98%           |
| 4.       | Industrial   | 28,468   | 47,752             | 34,883             | 38,870             | 16,392             | 14.80%             | -40.38%          |
| 5.       | Public Authorities                                 | 0  | 0                  | 0                  | 0                  | 0                  | N/A                | N/A              |
| 6.       | Resale   | 4  | 5                  | 9                  | 7                  | 6                  | -9.64%             | -20.00%          |
| 7.       | Other  | <u>26,155</u>  | <u>29,793</u>      | <u>34,559</u>      | <u>49,187</u>      | <u>47,754</u>      | <u>-13.97%</u>     | <u>-12.21%</u>   |
| 8.       | Total Operating Revenue                            | <u>601,248</u>   | <u>627,627</u>     | <u>576,366</u>     | <u>659,109</u>     | <u>558,351</u>     | <u>1.87%</u>       | <u>-4.20%</u>    |
| 9.       | Cost of Gas  | <u>382,886</u>   | <u>423,943</u>     | <u>376,529</u>     | <u>484,189</u>     | <u>376,157</u>     | <u>0.44%</u>       | <u>-9.68%</u>    |
| 10.      | Margin   | 218,362  | 203,684            | 199,837            | 174,920            | 182,194            | 4.63%              | 7.21%            |
| 11.      | O & M Expenses                                     | 83,838   | 85,725             | 84,749             | 80,057             | 79,484             | 1.34%              | -2.20%           |
| 12.      | Other Deductions                                   | <u>72,130</u>  | <u>63,154</u>      | <u>61,933</u>      | <u>54,587</u>      | <u>58,837</u>      | <u>5.22%</u>       | <u>14.21%</u>    |
| 13.      | Operating Income                                   | <u>\$82,384</u>  | <u>\$54,805</u>    | <u>\$53,155</u>    | <u>\$40,278</u>    | <u>\$43,863</u>    | <u>9.21%</u>       | <u>13.85%</u>    |
| 14.      | Net Plant Investment                               | <u>\$770,970</u>   | <u>\$755,845</u>   | <u>\$696,137</u>   | <u>\$649,952</u>   | <u>\$599,024</u>   | <u>6.51%</u>       | <u>2.00%</u>     |
| 15.      | Operating Exp. as a % of Margin                    | 38.39%   | 42.09%             | 42.41%             | 45.77%             | 43.63%             | -3.15%             | -8.79%           |
| 16.      | Net Plt. Investment per \$ of Margin               | \$3.53   | \$3.71             | \$3.48             | \$3.72             | \$3.29             | 1.78%              | -4.85%           |
| 17.      | Gas Delivered in DTs (000s omitted):               |  |                    |                    |                    |                    |                    |                  |
| 18.      | Residential  | 26,683   | 23,544             | 24,070             | 22,424             | 24,161             | 2.51%              | 13.33%           |
| 19.      | Commercial   | 13,423   | 12,529             | 12,629             | 13,986             | 14,393             | -1.73%             | 7.14%            |
| 20.      | Industrial   | 3,165  | 4,353              | 3,730              | 2,963              | 1,703              | 16.76%             | -27.29%          |
| 21.      | Public Authorities                                 | 0  | 0                  | 0                  | 0                  | 0                  | N/A                | N/A              |
| 22.      | Resale   | 0  | 0                  | 1                  | 1                  | 1                  | N/A                | N/A              |
| 23.      | Other  | <u>27,303</u>  | <u>29,071</u>      | <u>29,231</u>      | <u>26,909</u>      | <u>30,078</u>      | <u>-2.39%</u>      | <u>-6.08%</u>    |
| 24.      | Total DTs  | <u>70,574</u>  | <u>69,497</u>      | <u>69,661</u>      | <u>66,283</u>      | <u>70,338</u>      | <u>0.08%</u>       | <u>1.55%</u>     |
| 25.      | Number of Customers (000s included):               |  |                    |                    |                    |                    |                    |                  |
| 26.      | Residential  | 420,807  | 415,352            | 402,244            | 385,969            | 369,046            | 3.34%              | 1.31%            |
| 27.      | Commercial   | 38,994   | 38,756             | 38,377             | 37,996             | 37,411             | 1.04%              | 0.61%            |
| 28.      | Industrial   | 172  | 193                | 211                | 69                 | 58                 | 31.23%             | -10.88%          |
| 29.      | Public Authorities                                 | 0  | 0                  | 0                  | 0                  | 0                  | N/A                | N/A              |
| 30.      | Resale   | 2  | 2                  | 2                  | 3                  | 3                  | -9.64%             | 0.00%            |
| 31.      | Other  | <u>458</u>   | <u>454</u>         | <u>440</u>         | <u>382</u>         | <u>75</u>          | <u>57.03%</u>      | <u>0.44%</u>     |
| 32.      | Total Customers                                    | <u>460,431</u>   | <u>454,757</u>     | <u>441,274</u>     | <u>424,419</u>     | <u>406,593</u>     | <u>3.16%</u>       | <u>1.25%</u>     |
| 33.      | Estimated Overall Rate of Return                   | 8.32%  | 7.55%              | 7.85%              | 6.45%              | 8.09%              | 0.70%              | 10.20%           |
| 34.      | Estimated Return on Common Equity                  | 11.82%   | 9.08%              | 9.15%              | 6.30%              | 9.48%              | 5.67%              | 30.18%           |
| 35.      | Common Equity Ratio                                | 49.47%   | 49.84%             | 47.68%             | 49.88%             | 51.25%             | -0.88%             | -0.74%           |
| 36.      | Debt Ratio   | 50.53%   | 50.16%             | 52.32%             | 50.12%             | 48.75%             | 0.90%              | 0.74%            |
| 37.      | Estimated Pretax Interest Coverage Ratio (Times)   | 4.79   | 3.37               | 2.99               | 2.55               | 3.45               | 8.55%              | 42.14%           |
| 38.      | <b>LAST RATE CASE</b><br>(Docket No. G-5, Sub 485) | Authorized Returns: Common Equity 10.60%, Overall 8.54%; Equity Ratio: 54.00%; Date of Order: 10-24-08 |                    |                    |                    |                    |                    |                  |

Notes: [1] Rates are set on a total company basis.  
[2] Net Plant Investment reflects net plant in service.  
[3] Source of Data: Shareholders' Reports and the NCUC GS-1 Reports.  
[4] The increase from September 2006 to September 2007 in the industrial customer data was primarily due to the fact that the threshold for qualifying as a large quantity general service customer was reduced from 120,000 therms per year to 60,000 therms per year (see Docket No. G-5, Sub 481).  
[5] N/A denotes that the data is not available or not applicable or that information is, essentially, unmeaningful.

**BELLSOUTH TELECOMMUNICATIONS, INC., d/b/a  
AT&T NORTH CAROLINA  
SELECTED FINANCIAL AND OPERATIONAL DATA  
North Carolina Operations (Regulated and Nonregulated)  
(Amounts in Thousands)**

| Line No. | Item (a)                             | 12 Months Ended    |                    |                    |                    |                    | Annual Growth Rate |                  |
|----------|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
|          |                                      | December 2008 (b)  | December 2007 (c)  | December 2006 (d)  | December 2005 (e)  | December 2004 (f)  | Four Year (g)      | Current Year (h) |
| 1.       | Operating Revenue:                   |                    |                    |                    |                    |                    |                    |                  |
| 2.       | Basic Local Service                  | \$658,202          | \$708,589          | \$750,891          | \$789,411          | \$846,870          | -6.11%             | -7.11%           |
| 3.       | Network Access                       | 432,470            | 418,990            | 427,154            | 510,471            | 512,073            | -4.14%             | 3.22%            |
| 4.       | Long Distance Message                | 26,053             | 26,993             | 24,017             | 26,283             | 22,747             | 3.45%              | -3.48%           |
| 5.       | Miscellaneous                        | 317,476            | 329,795            | 333,385            | 245,987            | 221,007            | 9.48%              | -3.74%           |
| 6.       | Uncollectibles                       | <u>(22,713)</u>    | <u>(20,085)</u>    | <u>(23,209)</u>    | <u>(17,871)</u>    | <u>(26,672)</u>    | <u>-3.94%</u>      | <u>13.08%</u>    |
| 7.       | Total Operating Revenue              | <u>1,411,488</u>   | <u>1,464,282</u>   | <u>1,512,238</u>   | <u>1,554,281</u>   | <u>1,576,025</u>   | <u>-2.72%</u>      | <u>-3.61%</u>    |
| 8.       | Operating Expenses                   | 618,174            | 592,277            | 777,295            | 785,834            | 763,606            | -5.14%             | 4.37%            |
| 9.       | Depreciation & Amortization          | 409,526            | 453,593            | 415,783            | 421,824            | 436,997            | -1.61%             | -9.72%           |
| 10.      | Total Operating Taxes                | <u>155,618</u>     | <u>159,885</u>     | <u>108,514</u>     | <u>130,897</u>     | <u>140,534</u>     | <u>2.58%</u>       | <u>-2.67%</u>    |
| 11.      | Total Expenses, Depr. & Taxes        | <u>1,183,318</u>   | <u>1,205,755</u>   | <u>1,301,592</u>   | <u>1,338,355</u>   | <u>1,341,137</u>   | <u>-3.08%</u>      | <u>-1.86%</u>    |
| 12.      | Operating Income                     | <u>\$228,170</u>   | <u>\$258,527</u>   | <u>\$210,646</u>   | <u>\$215,926</u>   | <u>\$234,888</u>   | <u>-0.72%</u>      | <u>-11.74%</u>   |
| 13.      | Net Telecommunications Plant         | <u>\$1,739,174</u> | <u>\$1,886,528</u> | <u>\$2,110,865</u> | <u>\$2,218,785</u> | <u>\$2,312,145</u> | <u>-6.87%</u>      | <u>-7.81%</u>    |
| 14.      | Oper. Exp. as a % of Total Revenue   | 43.80%             | 40.45%             | 51.40%             | 50.55%             | 48.45%             | -2.49%             | 8.28%            |
| 15.      | Net Telecomm. Pft. per \$ of Revenue | \$1.23             | \$1.29             | \$1.40             | \$1.43             | \$1.47             | -4.36%             | -4.65%           |

- Notes: [1] BellSouth Telecommunications, Inc. elected price regulation in June 1996. On December 29, 2006, the merger between AT&T Inc. and BellSouth Corporation was completed; consequently, at the holding company level, BellSouth Telecommunications, Inc. adopted the AT&T brand name for its products and services. While BellSouth Telecommunications, Inc. will remain a corporate entity certificated in North Carolina, BellSouth is doing business as AT&T North Carolina.
- [2] Reporting requirement changes for the major price regulated telephone companies were implemented, in response to passage of Senate Bill 814, by Commission Orders dated January 2 and April 16, 2004, in Docket No. P-100, Sub 72b, effective for reporting periods beginning with calendar year 2003. The April 16, 2004 Order approved the Annual Report Proposal submitted, on March 4, 2004, by the major price regulated telephone companies, which effectively superseded the annual TS-1 Report previously required. Consequently, beginning with the 4th quarter 2003 "Quarterly Review", which includes information and data for the 12-month period ending December 31, 2003, earnings, access line, and certain other data for the price regulated telephone companies are no longer provided.
- [3] Source of Data: Annual Report.
- [4] Net Telecommunications Plant reflects net plant for total North Carolina operations (regulated and nonregulated), including plant under construction as follows for the 12-month periods ending December 31st: 2008 - \$3,581,000; 2007 - \$1,556,000; 2006 - \$5,280,000; 2005 - \$8,374,000; and 2004 - \$7,630,000.
- [5] On October 5, 2009, BellSouth Telecommunications, Inc., d/b/a AT&T North Carolina filed its notice of election, as set forth by the passage of HB1180, to have its rates, terms, conditions, and availability for its services determined pursuant to G.S. 62-133.5(h). Such Subsection (h) price plan election was effective as of the filing date.

**CAROLINA TELEPHONE AND TELEGRAPH COMPANY LLC, d/b/a  
CENTURYLINK**

**SELECTED FINANCIAL AND OPERATIONAL DATA  
North Carolina Operations (Regulated and Nonregulated)  
(Amounts in Thousands)**

| Line No. | Item<br>(a)                          | 12 Months Ended         |                         |                         |                         |                         | Annual Growth Rate  |                        |
|----------|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------|------------------------|
|          |                                      | December<br>2008<br>(b) | December<br>2007<br>(c) | December<br>2006<br>(d) | December<br>2005<br>(e) | December<br>2004<br>(f) | Four<br>Year<br>(g) | Current<br>Year<br>(h) |
| 1.       | Operating Revenue:                   |                         |                         |                         |                         |                         |                     |                        |
| 2.       | Basic Local Service                  | \$332,818               | \$344,580               | \$358,259               | \$376,281               | \$397,964               | -4.37%              | -3.41%                 |
| 3.       | Network Access                       | 244,664                 | 246,659                 | 278,006                 | 284,709                 | 298,888                 | -4.88%              | -0.81%                 |
| 4.       | Long Distance Message                | 3,183                   | 3,842                   | 4,655                   | 5,459                   | 6,146                   | -15.30%             | -17.67%                |
| 5.       | Miscellaneous                        | 225,106                 | 225,434                 | 179,227                 | 169,894                 | 183,799                 | 8.27%               | -0.15%                 |
| 6.       | Uncollectibles                       | <u>(15,184)</u>         | <u>(12,025)</u>         | <u>(8,599)</u>          | <u>(11,813)</u>         | <u>(12,598)</u>         | 4.78%               | 26.27%                 |
| 7.       | Total Operating Revenue              | <u>790,567</u>          | <u>808,490</u>          | <u>811,548</u>          | <u>824,530</u>          | <u>854,199</u>          | -1.92%              | -2.22%                 |
| 8.       | Operating Expenses                   | 392,485                 | 431,514                 | 444,969                 | 445,657                 | 459,569                 | -3.87%              | -9.04%                 |
| 9.       | Depreciation & Amortization          | 124,233                 | 119,120                 | 117,925                 | 116,747                 | 110,084                 | 3.07%               | 4.29%                  |
| 10.      | Total Operating Taxes                | <u>110,789</u>          | <u>102,982</u>          | <u>97,514</u>           | <u>105,954</u>          | <u>113,408</u>          | -0.58%              | 7.58%                  |
| 11.      | Total Expenses, Depr. & Taxes        | <u>627,507</u>          | <u>653,616</u>          | <u>660,408</u>          | <u>668,358</u>          | <u>683,061</u>          | -2.10%              | -3.99%                 |
| 12.      | Operating Income                     | <u>\$163,060</u>        | <u>\$154,874</u>        | <u>\$151,140</u>        | <u>\$156,172</u>        | <u>\$171,138</u>        | -1.20%              | 5.29%                  |
| 13.      | Net Telecommunications Plant         | <u>\$842,224</u>        | <u>\$855,670</u>        | <u>\$856,004</u>        | <u>\$846,627</u>        | <u>\$846,614</u>        | -0.13%              | -1.57%                 |
| 14.      | Oper. Exp. as a % of Total Revenue   | 49.65%                  | 53.37%                  | 54.83%                  | 54.05%                  | 53.80%                  | -1.99%              | -6.97%                 |
| 15.      | Net Telecomm. Plt. per \$ of Revenue | \$1.07                  | \$1.06                  | \$1.05                  | \$1.03                  | \$0.99                  | 1.96%               | 0.94%                  |

- Notes: [1] Carolina Telephone and Telegraph Company elected price regulation in June 1996. Effective November 15, 2007, Carolina Telephone and Telegraph Company was converted into a North Carolina limited liability company named Carolina Telephone and Telegraph Company LLC. On October 15, 2009, Embarq Corporation filed a letter with the Commission indicating that the incumbent local exchange company, Carolina Telephone and Telegraph Company LLC is doing business under the name CenturyLink.
- [2] Reporting requirement changes for the major price regulated telephone companies were implemented, in response to passage of Senate Bill 814, by Commission Orders dated January 2 and April 16, 2004, in Docket No. P-100, Sub 72b, effective for reporting periods beginning with calendar year 2003. The April 16, 2004 Order approved the Annual Report Proposal submitted, on March 4, 2004, by the major price regulated telephone companies, which effectively superseded the annual TS-1 Report previously required. Consequently, beginning with the 4th quarter 2003 "Quarterly Review", which includes information and data for the 12-month period ending December 31, 2003, earnings, access line, and certain other data for the price regulated telephone companies are no longer provided.
- [3] Source of Data: Annual Report.
- [4] Net Telecommunications Plant reflects net plant for total North Carolina operations (regulated and nonregulated), including plant under construction as follows for the 12-month periods ending December 31st: 2008 - \$16,173,000; 2007 - \$28,543,000; 2006 - \$29,368,000; 2005 - \$33,444,000; and 2004 - \$35,942,000.

**CENTRAL TELEPHONE COMPANY, d/b/a  
CENTURYLINK  
SELECTED FINANCIAL AND OPERATIONAL DATA  
North Carolina Operations (Regulated and Nonregulated)  
(Amounts In Thousands)**

| Line No. | Item (a)                             | 12 Months Ended   |                   |                   |                   |                   | Annual Growth Rate |                  |
|----------|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|------------------|
|          |                                      | December 2008 (b) | December 2007 (c) | December 2006 (d) | December 2005 (e) | December 2004 (f) | Four Year (g)      | Current Year (h) |
| 1.       | Operating Revenue:                   |                   |                   |                   |                   |                   |                    |                  |
| 2.       | Basic Local Service                  | \$75,189          | \$79,008          | \$83,081          | \$88,473          | \$94,075          | -5.45%             | -4.83%           |
| 3.       | Network Access                       | 45,175            | 45,829            | 52,643            | 54,503            | 56,879            | -5.60%             | -1.43%           |
| 4.       | Long Distance Message                | 1,238             | 1,302             | 1,892             | 2,020             | 3,099             | -20.50%            | -4.92%           |
| 5.       | Miscellaneous                        | 43,026            | 41,075            | 32,741            | 31,132            | 30,091            | 9.35%              | 4.75%            |
| 6.       | Uncollectibles                       | (2,660)           | (2,722)           | (1,817)           | (2,186)           | (2,218)           | 4.65%              | -2.28%           |
| 7.       | Total Operating Revenue              | <u>161,968</u>    | <u>164,492</u>    | <u>168,740</u>    | <u>173,942</u>    | <u>181,926</u>    | <u>-2.86%</u>      | <u>-1.53%</u>    |
| 8.       | Operating Expenses                   | 87,451            | 92,476            | 97,759            | 98,066            | 99,372            | -3.14%             | -5.43%           |
| 9.       | Depreciation & Amortization          | 37,538            | 36,036            | 36,868            | 44,695            | 44,237            | -4.02%             | 4.17%            |
| 10.      | Total Operating Taxes                | <u>13,973</u>     | <u>13,919</u>     | <u>12,200</u>     | <u>11,887</u>     | <u>12,587</u>     | <u>2.65%</u>       | <u>0.39%</u>     |
| 11.      | Total Expenses, Depr. & Taxes        | <u>138,962</u>    | <u>142,431</u>    | <u>146,827</u>    | <u>154,648</u>    | <u>156,196</u>    | <u>-2.88%</u>      | <u>-2.44%</u>    |
| 12.      | Operating Income                     | <u>\$23,006</u>   | <u>\$22,061</u>   | <u>\$21,913</u>   | <u>\$19,294</u>   | <u>\$25,730</u>   | <u>-2.76%</u>      | <u>4.28%</u>     |
| 13.      | Net Telecommunications Plant         | <u>\$198,568</u>  | <u>\$213,679</u>  | <u>\$228,163</u>  | <u>\$239,649</u>  | <u>\$264,452</u>  | <u>-6.91%</u>      | <u>-7.07%</u>    |
| 14.      | Oper. Exp. as a % of Total Revenue   | 53.99%            | 56.22%            | 57.93%            | 56.38%            | 54.62%            | -0.29%             | -3.97%           |
| 15.      | Net Telecomm. Plt. per \$ of Revenue | \$1.23            | \$1.30            | \$1.34            | \$1.38            | \$1.45            | -4.03%             | -5.38%           |

Notes: [1] Central Telephone Company elected price regulation in June 1996. On October 15, 2009, Embarq Corporation filed a letter with the Commission indicating that the incumbent local exchange company, Central Telephone Company is doing business under the name CenturyLink.

[2] Reporting requirement changes for the major price regulated telephone companies were implemented, in response to passage of Senate Bill 814, by Commission Orders dated January 2 and April 16, 2004, in Docket No. P-100, Sub 72b, effective for reporting periods beginning with calendar year 2003. The April 16, 2004 Order approved the Annual Report Proposal submitted, on March 4, 2004, by the major price regulated telephone companies, which effectively superseded the annual TS-1 Report previously required. Consequently, beginning with the 4th quarter 2003 "Quarterly Review", which includes information and data for the 12-month period ending December 31, 2003, earnings, access line, and certain other data for the price regulated telephone companies are no longer provided.

[3] Source of Data: Annual Report.

[4] Net Telecommunications Plant reflects net plant for total North Carolina operations (regulated and nonregulated), including plant under construction as follows for the 12-month periods ending December 31st: 2008 - \$3,284,000; 2007 - \$8,016,000; 2006 - \$5,240,000; 2005 - \$5,060,000; and 2004 - \$6,910,000.



**CITIZENS TELEPHONE COMPANY**  
**SELECTED FINANCIAL AND OPERATIONAL DATA**  
North Carolina Intrastate Operations  
(Amounts In Thousands)

| Line No. | Item (a)   | 12 Months Ended  |                    |                    |                    |                    | Annual               |                       |
|----------|--|--|--------------------|--------------------|--------------------|--------------------|----------------------|-----------------------|
|          |  | September 2009 (b)   | September 2008 (c) | September 2007 (d) | September 2006 (e) | September 2005 (f) | Growth Four Year (g) | Rate Current Year (h) |
| 1.       | Operating Revenue:                                 |  |                    |                    |                    |                    |                      |                       |
| 2.       | Basic Local Service                                | \$4,927  | \$5,155            | \$5,194            | \$5,359            | \$5,471            | -2.58%               | -4.42%                |
| 3.       | Network Access                                     | 4,058  | 4,541              | 4,340              | 4,261              | 3,924              | 0.84%                | -10.64%               |
| 4.       | Long Distance Message                              | 764  | 422                | 1,051              | 1,314              | 1,155              | -9.82%               | 81.04%                |
| 5.       | Miscellaneous                                      | 1,130  | 1,147              | 1,072              | 1,148              | 1,136              | -0.13%               | -1.48%                |
| 6.       | Uncollectibles                                     | (27)   | (10)               | (21)               | (9)                | (13)               | 20.05%               | 170.00%               |
| 7.       | Total Operating Revenue                            | <u>10,852</u>  | <u>11,255</u>      | <u>11,636</u>      | <u>12,073</u>      | <u>11,673</u>      | -1.81%               | -3.56%                |
| 8.       | Operating Expenses                                 | 6,882  | 6,437              | 6,506              | 6,090              | 5,597              | 5.30%                | 6.91%                 |
| 9.       | Depreciation & Amortization                        | 2,823  | 2,820              | 2,777              | 2,786              | 2,616              | 1.92%                | 0.11%                 |
| 10.      | Total Operating Taxes                              | (25)   | 894                | 931                | 1,404              | 1,121              | N/A                  | N/A                   |
| 11.      | Total Expenses, Depr. & Taxes                      | <u>9,680</u>   | <u>10,151</u>      | <u>10,214</u>      | <u>10,280</u>      | <u>9,334</u>       | 0.91%                | -4.64%                |
| 12.      | Operating income                                   | <u>\$1,172</u>   | <u>\$1,104</u>     | <u>\$1,422</u>     | <u>\$1,793</u>     | <u>\$2,339</u>     | -15.87%              | 6.16%                 |
| 13.      | Net Plant Investment                               | <u>\$28,753</u>  | <u>\$28,413</u>    | <u>\$28,487</u>    | <u>\$28,419</u>    | <u>\$27,693</u>    | 0.94%                | 1.20%                 |
| <hr/>    |  |  |                    |                    |                    |                    |                      |                       |
| 14.      | Oper. Exp. as a % of Total Revenue                 | 63.42%   | 57.19%             | 55.91%             | 50.44%             | 47.95%             | 7.24%                | 10.89%                |
| 15.      | Net Plt. Investment per \$ of Revenue              | \$2.65   | \$2.52             | \$2.45             | \$2.35             | \$2.37             | 2.83%                | 5.16%                 |
| <hr/>    |  |  |                    |                    |                    |                    |                      |                       |
| 16.      | Total Access Lines (000s included):                |  |                    |                    |                    |                    |                      |                       |
| 17.      | Residential  | 14,731   | 15,816             | 16,309             | 16,588             | 16,784             | -3.21%               | -6.86%                |
| 18.      | Business   | 4,319  | 4,482              | 4,514              | 4,486              | 4,467              | -0.84%               | -3.64%                |
| 19.      | Total Access Lines                                 | <u>19,050</u>  | <u>20,298</u>      | <u>20,823</u>      | <u>21,074</u>      | <u>21,251</u>      | -2.70%               | -6.15%                |
| <hr/>    |  |  |                    |                    |                    |                    |                      |                       |
| 20.      | Estimated Overall Rate of Return                   | 4.64%  | 4.40%              | 5.63%              | 6.82%              | 9.28%              | -15.91%              | 5.45%                 |
| 21.      | Estimated Return on Common Equity                  | 4.64%  | 4.40%              | 5.49%              | 6.37%              | 9.54%              | -16.49%              | 5.45%                 |
| 22.      | Common Equity Ratio                                | 100.00%  | 100.00%            | 95.84%             | 78.91%             | 75.36%             | 7.33%                | 0.00%                 |
| 23.      | Debt Ratio   | 0.00%  | 0.00%              | 4.16%              | 21.09%             | 24.64%             | N/A                  | N/A                   |
| 24.      | Estimated Pretax Interest Coverage Ratio (Times)   | N/A  | N/A                | N/A                | 6.59               | 6.81               | N/A                  | N/A                   |
| <hr/>    |  |  |                    |                    |                    |                    |                      |                       |
| 25.      | <b>LAST RATE CASE</b><br>(Docket No. P-12, Sub 88) | Authorized Returns: Common Equity 12.70%, Overall 10.11%; Equity Ratio: 44.95%; Date of Order: 2-26-81 |                    |                    |                    |                    |                      |                       |

Notes: [1] On December 1, 2008, the transfer of control of Citizens Telephone Company to Rock Hill Telephone Company, approved by Order issued November 13, 2008, in Docket No. P-12, Sub 109, was consummated.  
[2] North Carolina intrastate revenue, i.e., jurisdictional revenue equates to approximately 66% of total North Carolina revenue i.e., intrastate and interstate revenue.  
[3] Net Plant investment reflects net plant in service.  
[4] Source of Data: NCUC TS-1 Reports.  
[5] N/A denotes that the data is not available or not applicable or that information is, essentially, unmeaningful.

**LEXCOM TELEPHONE COMPANY**  
**SELECTED FINANCIAL AND OPERATIONAL DATA**  
**Total Company Utility Operations**  
**(Amounts In Thousands)**

| Line No. | Item (a)  | 12 Months Ended  |                   |                   |                   |                   | Annual Growth Rate |                  |
|----------|---|--|-------------------|-------------------|-------------------|-------------------|--------------------|------------------|
|          |   | December 2008 (b)  | December 2007 (c) | December 2006 (d) | December 2005 (e) | December 2004 (f) | Four Year (g)      | Current Year (h) |
| 1.       | Operating Revenue:                                  |  |                   |                   |                   |                   |                    |                  |
| 2.       | Basic Local Service                                 | \$10,439   | \$10,931          | \$12,013          | \$12,676          | \$12,615          | -4.62%             | -4.50%           |
| 3.       | Network Access                                      | 4,157  | 5,474             | 5,303             | 5,517             | 5,441             | -6.51%             | -24.06%          |
| 4.       | Long Distance Message                               | 116  | 132               | 146               | 171               | 166               | -8.57%             | -12.12%          |
| 5.       | Miscellaneous                                       | 2,518  | 2,518             | 2,436             | 2,401             | 2,304             | 2.25%              | 0.00%            |
| 6.       | Uncollectibles                                      | (403)  | (453)             | (212)             | (232)             | (308)             | 6.95%              | -11.04%          |
| 7.       | Total Operating Revenue                             | <u>16,827</u>  | <u>18,602</u>     | <u>19,686</u>     | <u>20,533</u>     | <u>20,218</u>     | <u>-4.49%</u>      | <u>-9.54%</u>    |
| 8.       | Operating Expenses                                  | 6,296  | 9,771             | 6,711             | 6,641             | 7,267             | -3.52%             | -35.56%          |
| 9.       | Depreciation & Amortization                         | 3,098  | 3,097             | 3,747             | 4,223             | 3,420             | -2.44%             | 0.03%            |
| 10.      | Total Operating Taxes                               | <u>2,673</u>   | <u>2,683</u>      | <u>4,711</u>      | <u>5,293</u>      | <u>5,845</u>      | <u>-17.77%</u>     | <u>-0.37%</u>    |
| 11.      | Total Expenses, Depr. & Taxes                       | <u>12,067</u>  | <u>15,551</u>     | <u>15,169</u>     | <u>16,157</u>     | <u>16,532</u>     | <u>-7.57%</u>      | <u>-22.40%</u>   |
| 12.      | Operating Income                                    | <u>\$4,760</u>   | <u>\$3,051</u>    | <u>\$4,517</u>    | <u>\$4,376</u>    | <u>\$3,686</u>    | <u>6.60%</u>       | <u>56.01%</u>    |
| 13.      | Net Plant Investment                                | <u>\$30,105</u>  | <u>\$31,203</u>   | <u>\$32,134</u>   | <u>\$34,514</u>   | <u>\$36,036</u>   | <u>-4.40%</u>      | <u>-3.52%</u>    |
| 14.      | Oper. Exp. as a % of Total Revenue                  | 37.42%   | 52.53%            | 34.09%            | 32.34%            | 35.94%            | 1.01%              | -28.76%          |
| 15.      | Net Plt. Investment per \$ of Revenue               | \$1.79   | \$1.68            | \$1.63            | \$1.68            | \$1.78            | 0.14%              | 6.55%            |
| 16.      | Total Access Lines (000s included):                 |  |                   |                   |                   |                   |                    |                  |
| 17.      | Residential   | 16,822   | 18,412            | 20,238            | 21,412            | 22,428            | -6.94%             | -8.64%           |
| 18.      | Business  | 7,240  | 7,837             | 8,242             | 8,500             | 8,670             | -4.41%             | -7.62%           |
| 19.      | Total Access Lines                                  | <u>24,062</u>  | <u>26,249</u>     | <u>28,480</u>     | <u>29,912</u>     | <u>31,098</u>     | <u>-6.21%</u>      | <u>-8.33%</u>    |
| 20.      | Estimated Overall Rate of Return                    | 20.27%   | 11.95%            | 15.61%            | 14.32%            | 11.62%            | 14.92%             | 69.62%           |
| 21.      | Estimated Return on Common Equity                   | 20.27%   | 11.95%            | 15.91%            | 14.46%            | 11.72%            | 14.68%             | 69.62%           |
| 22.      | Common Equity Ratio                                 | 100.00%  | 100.00%           | 97.49%            | 97.86%            | 97.51%            | 0.63%              | 0.00%            |
| 23.      | Debt Ratio  | 0.00%  | 0.00%             | 2.51%             | 2.14%             | 2.49%             | N/A                | N/A              |
| 24.      | Estimated Pretax Interest Coverage Ratio (Times)    | N/A  | N/A               | 304.05            | 177.42            | 145.03            | N/A                | N/A              |
| 25.      | <b>LAST RATE CASE</b><br>(Docket No. P-31, Sub 110) | Authorized Returns: Common Equity 16.25%, Overall 12.77%; Equity Ratio: 37.22%; Date of Order: 6-14-82 |                   |                   |                   |                   |                    |                  |

Notes: [1] Rates are set on a total company basis.  
[2] Net Plant Investment reflects net plant in service.  
[3] Source of Data: NCUC TS-1 Reports.  
[4] N/A denotes that the data is not available or not applicable or that information is, essentially, unmeaningful.  
[5] On December 11, 2008, in Docket No. P-31, Sub 145, LEXCOM filed a Petition for Approval of Price Regulation Plan and a Stipulation and Agreement between the Public Staff and LEXCOM related to such Petition. On April 22, 2009, the Commission issued an Order Approving Price Regulation Plan for implementation by LEXCOM effective no later than July 1, 2009. LEXCOM elected for its price regulation plan to become effective on June 8, 2009.

**MEBTEL, INC., d/b/a  
CENTURYLINK**  
SELECTED FINANCIAL AND OPERATIONAL DATA  
North Carolina Operations (Regulated and Nonregulated)  
(Amounts in Thousands)

| Line No. | Item<br>(a)                          | 12 Months Ended         |                         |                         |                         |                         | Annual Growth Rate  |                        |
|----------|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------|------------------------|
|          |                                      | December<br>2008<br>(b) | December<br>2007<br>(c) | December<br>2006<br>(d) | December<br>2005<br>(e) | December<br>2004<br>(f) | Four<br>Year<br>(g) | Current<br>Year<br>(h) |
| 1.       | Operating Revenue:                   |                         |                         |                         |                         |                         |                     |                        |
| 2.       | Basic Local Service                  | \$4,529                 | \$4,790                 | \$4,863                 | \$4,918                 | \$4,753                 | -1.20%              | -5.45%                 |
| 3.       | Network Access                       | 7,319                   | 6,933                   | 6,480                   | 5,014                   | 3,931                   | 16.81%              | 5.57%                  |
| 4.       | Long Distance Message                | 74                      | 76                      | 73                      | 71                      | 107                     | -8.81%              | -2.63%                 |
| 5.       | Miscellaneous                        | 1,861                   | 1,676                   | 1,663                   | 1,611                   | 1,578                   | 4.21%               | 11.04%                 |
| 6.       | Uncollectibles                       | (58)                    | 7                       | (4)                     | (176)                   | (24)                    | N/A                 | N/A                    |
| 7.       | Total Operating Revenue              | <u>13,725</u>           | <u>13,482</u>           | <u>13,075</u>           | <u>11,438</u>           | <u>10,345</u>           | <u>7.32%</u>        | <u>1.80%</u>           |
| 8.       | Operating Expenses                   | 6,518                   | 7,986                   | 5,841                   | 5,860                   | 5,120                   | 6.22%               | -18.36%                |
| 9.       | Depreciation & Amortization          | 3,613                   | 3,650                   | 3,031                   | 2,436                   | 1,142                   | 33.37%              | -1.01%                 |
| 10.      | Total Operating Taxes                | <u>1,410</u>            | <u>845</u>              | <u>2,354</u>            | <u>1,314</u>            | <u>2,010</u>            | <u>-8.48%</u>       | <u>66.66%</u>          |
| 11.      | Total Expenses, Depr. & Taxes        | <u>11,541</u>           | <u>12,481</u>           | <u>11,226</u>           | <u>9,610</u>            | <u>8,272</u>            | <u>8.68%</u>        | <u>-7.53%</u>          |
| 12.      | Operating Income                     | <u>\$2,184</u>          | <u>\$1,001</u>          | <u>\$1,849</u>          | <u>\$1,828</u>          | <u>\$2,073</u>          | <u>1.31%</u>        | <u>118.18%</u>         |
| 13.      | Net Telecommunications Plant         | <u>\$17,403</u>         | <u>\$19,380</u>         | <u>\$21,341</u>         | <u>\$22,393</u>         | <u>\$10,646</u>         | <u>13.07%</u>       | <u>-10.20%</u>         |
| 14.      | Oper. Exp. as a % of Total Revenue   | 47.49%                  | 59.23%                  | 44.67%                  | 51.23%                  | 49.49%                  | -1.03%              | -19.82%                |
| 15.      | Net Telecomm. Plt. per \$ of Revenue | \$1.27                  | \$1.44                  | \$1.63                  | \$1.96                  | \$1.03                  | 5.38%               | -11.81%                |

Notes: [1] Mebtel Communications elected price regulation in September 1999. Effective April 30, 2007, CenturyTel, Inc. acquired all the stock of Madison River Communications Corporation, the ultimate parent of Mebtel, Inc. and its affiliates, which affected the indirect transfer of control of each of these entities, including Mebtel, Inc., d/b/a Mebtel Communications, to CenturyTel, Inc. On December 1, 2008, CenturyTel, Inc. filed a letter with the Commission indicating that the incumbent local exchange company, Mebtel, Inc. is doing business under the name CenturyTel. On October 19, 2009, CenturyLink filed a letter with the Commission stating that CenturyTel, Inc. and Embarq Corporation had completed their merger; consequently, the incumbent local exchange company, Mebtel, Inc. is now doing business under the name CenturyLink.

[2] Reporting requirement changes for the major price regulated telephone companies were implemented, in response to passage of Senate Bill 814, by Commission Orders dated January 2 and April 16, 2004, in Docket No. P-100, Sub 72b, effective for reporting periods beginning with calendar year 2003. The April 16, 2004 Order approved the Annual Report Proposal submitted, on March 4, 2004, by the major price regulated telephone companies, which effectively superseded the annual TS-1 Report previously required. Consequently, beginning with the 4th quarter 2003 "Quarterly Review", which includes information and data for the 12-month period ending December 31, 2003, earnings, access line, and certain other data for the price regulated telephone companies are no longer provided.

[3] Source of Data: Annual Report.

[4] Net Telecommunications Plant reflects net plant for North Carolina regulated operations only, including plant under construction as follows for the 12-month periods ending December 31st: 2008 - \$797,686; 2007 - \$821,831; 2006 - \$536,834; 2005 - \$1,052,185; and 2004 - \$295,794.

[5] N/A denotes that the data is not available or not applicable or that information is, essentially, unmeaningful.

**NORTH STATE TELEPHONE COMPANY, d/b/a  
NORTH STATE COMMUNICATIONS  
SELECTED FINANCIAL AND OPERATIONAL DATA  
North Carolina Operations (Regulated and Nonregulated)  
(Amounts in Thousands)**

| Line No. | Item (a)                             | 12 Months Ended  |                  |                  |                  |                  | Annual Growth Rate |                |
|----------|--------------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|----------------|
|          |                                      | December 2008    | December 2007    | December 2006    | December 2005    | December 2004    | Four Year          | Current Year   |
|          |                                      | (b)              | (c)              | (d)              | (e)              | (f)              | (g)                | (h)            |
| 1.       | Operating Revenue:                   |                  |                  |                  |                  |                  |                    |                |
| 2.       | Basic Local Service                  | \$30,609         | \$32,946         | \$34,147         | \$35,625         | \$36,873         | -4.55%             | -7.09%         |
| 3.       | Network Access                       | 31,285           | 33,575           | 35,000           | 37,882           | 37,232           | -4.26%             | -6.82%         |
| 4.       | Long Distance Message                | 854              | 904              | 1,021            | 1,354            | 1,444            | -12.31%            | -5.53%         |
| 5.       | Miscellaneous                        | 43,035           | 40,744           | 37,217           | 34,236           | 31,270           | 8.31%              | 5.62%          |
| 6.       | Uncollectibles                       | <u>(1,637)</u>   | <u>(1,555)</u>   | <u>(1,110)</u>   | <u>(876)</u>     | <u>(798)</u>     | <u>19.68%</u>      | <u>5.27%</u>   |
| 7.       | Total Operating Revenue              | <u>104,146</u>   | <u>106,614</u>   | <u>106,275</u>   | <u>108,221</u>   | <u>106,021</u>   | <u>-0.45%</u>      | <u>-2.31%</u>  |
| 8.       | Operating Expenses                   | 63,756           | 64,555           | 61,672           | 62,113           | 58,444           | 2.20%              | -1.24%         |
| 9.       | Depreciation & Amortization          | 19,068           | 17,533           | 15,822           | 21,482           | 20,376           | -1.64%             | 8.75%          |
| 10.      | Total Operating Taxes                | <u>9,325</u>     | <u>10,304</u>    | <u>12,762</u>    | <u>10,250</u>    | <u>11,260</u>    | <u>-4.60%</u>      | <u>-9.50%</u>  |
| 11.      | Total Expenses, Depr. & Taxes        | <u>92,149</u>    | <u>92,392</u>    | <u>90,256</u>    | <u>93,845</u>    | <u>90,080</u>    | <u>0.57%</u>       | <u>-0.26%</u>  |
| 12.      | Operating Income                     | <u>\$11,997</u>  | <u>\$14,222</u>  | <u>\$16,019</u>  | <u>\$14,376</u>  | <u>\$15,941</u>  | <u>-6.86%</u>      | <u>-15.64%</u> |
| 13.      | Net Telecommunications Plant         | <u>\$133,317</u> | <u>\$133,116</u> | <u>\$124,413</u> | <u>\$114,675</u> | <u>\$116,270</u> | <u>3.48%</u>       | <u>0.15%</u>   |
| 14.      | Oper. Exp. as a % of Total Revenue   | 61.22%           | 60.55%           | 58.03%           | 57.39%           | 55.12%           | 2.66%              | 1.11%          |
| 15.      | Net Telecomm. Plt. per \$ of Revenue | \$1.28           | \$1.25           | \$1.17           | \$1.06           | \$1.10           | 3.86%              | 2.40%          |

Notes: [1] North State Communications elected price regulation in December 2002.

[2] Reporting requirement changes for the major price regulated telephone companies were implemented, in response to passage of Senate Bill 814, by Commission Orders dated January 2 and April 16, 2004, in Docket No. P-100, Sub 72b, effective for reporting periods beginning with calendar year 2003. The April 16, 2004 Order approved the Annual Report Proposal submitted, on March 4, 2004, by the major price regulated telephone companies, which effectively superseded the annual TS-1 Report previously required. Consequently, beginning with the 4th quarter 2003 "Quarterly Review", which includes information and data for the 12-month period ending December 31, 2003, earnings, access line, and certain other data for the price regulated telephone companies are no longer provided.

[3] Source of Data: Annual Reports.

[4] Net Telecommunications Plant reflects net plant for total North Carolina operations, including plant under construction as follows for the 12-month periods ending December 31st: 2008 - \$9,858,815; 2007 - \$6,983,609; 2006 - \$6,493,809; 2005 - \$2,851,674; and 2004 - \$1,916,334.

**VERIZON SOUTH INC.**  
**SELECTED FINANCIAL AND OPERATIONAL DATA**  
North Carolina Operations (Regulated and Nonregulated)  
(Amounts In Thousands)

| Line No. | Item (a)                             | 12 Months Ended   |                   |                   |                   |                   | Annual Growth Rate |                  |
|----------|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|------------------|
|          |                                      | December 2008 (b) | December 2007 (c) | December 2006 (d) | December 2005 (e) | December 2004 (f) | Four Year (g)      | Current Year (h) |
| 1.       | Operating Revenue:                   |                   |                   |                   |                   |                   |                    |                  |
| 2.       | Basic Local Service                  | \$98,276          | \$107,049         | \$111,919         | \$118,145         | \$124,187         | -5.68%             | -8.20%           |
| 3.       | Network Access                       | 102,239           | 104,293           | 105,858           | 112,867           | 119,511           | -3.83%             | -1.97%           |
| 4.       | Long Distance Message                | 6,572             | 4,915             | 2,502             | 2,089             | 2,193             | 31.57%             | 33.71%           |
| 5.       | Miscellaneous                        | 33,324            | 33,216            | 33,100            | 29,234            | 37,205            | -2.72%             | 0.33%            |
| 6.       | Uncollectibles                       | <u>(2,634)</u>    | <u>1,636</u>      | <u>(3,600)</u>    | <u>(4,405)</u>    | <u>(2,391)</u>    | N/A                | N/A              |
| 7.       | Total Operating Revenue              | <u>237,777</u>    | <u>251,109</u>    | <u>249,779</u>    | <u>257,930</u>    | <u>280,705</u>    | <u>-4.06%</u>      | <u>-5.31%</u>    |
| 8.       | Operating Expenses                   | 149,341           | 136,861           | 128,848           | 149,029           | 169,316           | -3.09%             | 9.12%            |
| 9.       | Depreciation & Amortization          | 61,547            | 63,662            | 73,454            | 78,390            | 74,505            | -4.66%             | -3.32%           |
| 10.      | Total Operating Taxes                | <u>15,021</u>     | <u>17,719</u>     | <u>14,789</u>     | <u>8,689</u>      | <u>(2,632)</u>    | N/A                | <u>-15.23%</u>   |
| 11.      | Total Expenses, Depr. & Taxes        | <u>225,909</u>    | <u>218,242</u>    | <u>217,101</u>    | <u>236,108</u>    | <u>241,189</u>    | <u>-1.62%</u>      | <u>3.51%</u>     |
| 12.      | Operating Income                     | <u>\$11,868</u>   | <u>\$32,867</u>   | <u>\$32,678</u>   | <u>\$21,822</u>   | <u>\$39,516</u>   | <u>-25.97%</u>     | <u>-63.89%</u>   |
| 13.      | Net Telecommunications Plant         | <u>\$298,761</u>  | <u>\$324,977</u>  | <u>\$335,075</u>  | <u>\$365,007</u>  | <u>\$386,523</u>  | <u>-6.83%</u>      | <u>-8.07%</u>    |
| 14.      | Oper. Exp. as a % of Total Revenue   | 62.81%            | 54.50%            | 51.58%            | 57.78%            | 60.32%            | 1.02%              | 15.25%           |
| 15.      | Net Telecomm. Pft. per \$ of Revenue | \$1.26            | \$1.29            | \$1.34            | \$1.42            | \$1.41            | -2.77%             | -2.33%           |

Notes: [1] Verizon South Inc. elected price regulation in June 1996. On August 3, 2009, Verizon South Inc. notified the Commission that Frontier Communications Corporation (Frontier) and Verizon Communications Inc. (Verizon) have announced that Frontier is acquiring control of Verizon's local telephone operations in North Carolina and several other states through a parent company merger. Price-regulated incumbent local exchange companies are exempt from application of G.S. 62-111 by virtue of G.S. 62-133.5(g); consequently, such transaction is not subject to Commission review or approval. According to Verizon, once the transaction is completed the Company's name will change from Verizon South Inc. to Frontier Communications of the Carolinas.

[2] Reporting requirement changes for the major price regulated telephone companies were implemented, in response to passage of Senate Bill 814, by Commission Orders dated January 2 and April 16, 2004, in Docket No. P-100, Sub 72b, effective for reporting periods beginning with calendar year 2003. The April 16, 2004 Order approved the Annual Report Proposal submitted, on March 4, 2004, by the major price regulated telephone companies, which effectively superseded the annual TS-1 Report previously required. Consequently, beginning with the 4th quarter 2003 "Quarterly Review", which includes information and data for the 12-month period ending December 31, 2003, earnings, access line, and certain other data for the price regulated telephone companies are no longer provided.

[3] Source of Data: Annual Report.

[4] N/A denotes that the data is not available or not applicable or that information is, essentially, unmeaningful.

[5] Net Telecommunications Plant reflects net plant for total North Carolina operations (regulated and nonregulated), including plant under construction as follows for the 12-month periods ending December 31st: 2008 - \$206,889; 2007 - \$2,307,401; 2006 - \$2,068,101; 2005 - \$1,426,199; and 2004 - \$780,789.

[6] N/A denotes that the data is not available or not applicable or that information is, essentially, unmeaningful.

**WINDSTREAM CONCORD TELEPHONE, INC.**  
**SELECTED FINANCIAL AND OPERATIONAL DATA**  
**North Carolina Operations (Regulated and Nonregulated)**  
**(Amounts In Thousands)**

| Line No. | Item (a)                             | 12 Months Ended   |                   |                   |                   |                   | Annual Growth Rate |                  |
|----------|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|------------------|
|          |                                      | December 2008 (b) | December 2007 (c) | December 2006 (d) | December 2005 (e) | December 2004 (f) | Four Year (g)      | Current Year (h) |
| 1.       | Operating Revenue:                   |                   |                   |                   |                   |                   |                    |                  |
| 2.       | Basic Local Service                  | \$30,623          | \$36,222          | \$51,502          | \$50,128          | \$48,296          | -10.77%            | -15.46%          |
| 3.       | Network Access                       | 41,978            | 42,458            | 30,852            | 31,924            | 29,766            | 8.97%              | -1.13%           |
| 4.       | Long Distance Message                | 1,957             | 728               | 2,110             | 2,255             | 2,839             | -8.88%             | 168.82%          |
| 5.       | Miscellaneous                        | 12,649            | 11,392            | 12,781            | 11,246            | 12,313            | 0.68%              | 11.03%           |
| 6.       | Uncollectibles                       | (399)             | (252)             | (313)             | (285)             | (222)             | 15.79%             | 58.33%           |
| 7.       | Total Operating Revenue              | <u>86,808</u>     | <u>90,548</u>     | <u>96,932</u>     | <u>95,268</u>     | <u>92,992</u>     | <u>-1.71%</u>      | <u>-4.13%</u>    |
| 8.       | Operating Expenses                   | 47,179            | 67,250            | 52,103            | 50,025            | 46,291            | 0.48%              | -29.85%          |
| 9.       | Depreciation & Amortization          | 17,511            | 19,444            | 22,853            | 19,836            | 22,077            | -5.63%             | -9.94%           |
| 10.      | Total Operating Taxes                | <u>6,301</u>      | <u>198</u>        | <u>7,894</u>      | <u>7,933</u>      | <u>10,193</u>     | <u>-11.33%</u>     | <u>3082.32%</u>  |
| 11.      | Total Expenses, Depr. & Taxes        | <u>70,991</u>     | <u>86,892</u>     | <u>82,850</u>     | <u>77,794</u>     | <u>78,561</u>     | <u>-2.50%</u>      | <u>-18.30%</u>   |
| 12.      | Operating Income                     | <u>\$15,817</u>   | <u>\$3,656</u>    | <u>\$14,082</u>   | <u>\$17,474</u>   | <u>\$14,431</u>   | <u>2.32%</u>       | <u>332.63%</u>   |
| 13.      | Net Telecommunications Plant         | <u>\$55,804</u>   | <u>\$69,459</u>   | <u>\$82,404</u>   | <u>\$80,438</u>   | <u>\$83,704</u>   | <u>-9.64%</u>      | <u>-19.66%</u>   |
| <hr/>    |                                      |                   |                   |                   |                   |                   |                    |                  |
| 14.      | Oper. Exp. as a % of Total Revenue   | 54.35%            | 74.27%            | 53.75%            | 52.51%            | 49.78%            | 2.22%              | -26.82%          |
| 15.      | Net Telecomm. Plt. per \$ of Revenue | \$0.64            | \$0.77            | \$0.85            | \$0.84            | \$0.90            | -8.17%             | -16.88%          |

- Notes: [1] Concord Telephone Company elected price regulation in June 1997. Due to the August 31, 2007 acquisition of CT Communications, Inc., the parent company of The Concord Telephone Company, Inc., by Windstream Corporation, effective on that same date, The Concord Telephone Company, Inc. changed its name to Windstream Concord Telephone, Inc.
- [2] Reporting requirement changes for the major price regulated telephone companies were implemented, in response to passage of Senate Bill 814, by Commission Orders dated January 2 and April 16, 2004, in Docket No. P-100, Sub 72b, effective for reporting periods beginning with calendar year 2003. The April 16, 2004 Order approved the Annual Report Proposal submitted, on March 4, 2004, by the major price regulated telephone companies, which effectively superseded the annual TS-1 Report previously required. Consequently, beginning with the 4th quarter 2003 "Quarterly Review", which includes information and data for the 12-month period ending December 31, 2003, earnings, access line, and certain other data for the price regulated telephone companies are no longer provided.
- [3] Source of Data: Annual Report.
- [4] Net Telecommunications Plant reflects net plant in service for total North Carolina operations (regulated and nonregulated), including plant under construction as follows for the 12-month periods ending December 31st: 2008 - \$1,457,433; 2007 - \$6,751,518; 2006 - \$7,563,825; 2005 - \$3,926,131; and 2004 - \$3,557,940.

**WINDSTREAM NORTH CAROLINA, LLC**  
**SELECTED FINANCIAL AND OPERATIONAL DATA**  
North Carolina Operations (Regulated and Nonregulated)  
(Amounts in Thousands)

| Line No. | Item (a)                             | 12 Months Ended   |                   |                   |                   |                   | Annual Growth Rate |                  |
|----------|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|------------------|
|          |                                      | December 2008 (b) | December 2007 (c) | December 2006 (d) | December 2005 (e) | December 2004 (f) | Four Year (g)      | Current Year (h) |
| 1.       | Operating Revenue:                   |                   |                   |                   |                   |                   |                    |                  |
| 2.       | Basic Local Service                  | \$62,899          | \$66,926          | \$70,624          | \$73,646          | \$72,927          | -3.63%             | -6.02%           |
| 3.       | Network Access                       | 56,596            | 62,849            | 65,326            | 64,125            | 60,130            | -1.50%             | -9.95%           |
| 4.       | Long Distance Message                | 2,116             | 2,555             | 3,971             | 4,024             | 3,894             | -14.14%            | -17.18%          |
| 5.       | Miscellaneous                        | 15,971            | 18,013            | 18,373            | 15,993            | 16,469            | -0.76%             | -11.34%          |
| 6.       | Uncollectibles                       | <u>(1,415)</u>    | <u>(1,029)</u>    | <u>(547)</u>      | <u>(1,135)</u>    | <u>(1,242)</u>    | <u>3.31%</u>       | <u>37.51%</u>    |
| 7.       | Total Operating Revenue              | <u>136,167</u>    | <u>149,314</u>    | <u>157,747</u>    | <u>156,653</u>    | <u>152,178</u>    | <u>-2.74%</u>      | <u>-8.80%</u>    |
| 8.       | Operating Expenses                   | 59,926            | 63,330            | 68,347            | 59,350            | 60,856            | -0.38%             | -5.38%           |
| 9.       | Depreciation & Amortization          | 31,752            | 36,602            | 23,978            | 32,696            | 31,743            | 0.01%              | -13.25%          |
| 10.      | Total Operating Taxes                | <u>19,286</u>     | <u>18,058</u>     | <u>23,431</u>     | <u>19,283</u>     | <u>17,514</u>     | <u>2.44%</u>       | <u>6.80%</u>     |
| 11.      | Total Expenses, Depr. & Taxes        | <u>110,964</u>    | <u>117,990</u>    | <u>115,756</u>    | <u>111,329</u>    | <u>110,113</u>    | <u>0.19%</u>       | <u>-5.95%</u>    |
| 12.      | Operating Income                     | <u>\$25,203</u>   | <u>\$31,324</u>   | <u>\$41,991</u>   | <u>\$45,324</u>   | <u>\$42,065</u>   | <u>-12.02%</u>     | <u>-19.54%</u>   |
| 13.      | Net Telecommunications Plant         | <u>\$234,089</u>  | <u>\$244,381</u>  | <u>\$253,564</u>  | <u>\$251,877</u>  | <u>\$255,558</u>  | <u>-2.17%</u>      | <u>-4.21%</u>    |
| 14.      | Oper. Exp. as a % of Total Revenue   | 44.01%            | 42.41%            | 43.33%            | 37.89%            | 39.99%            | 2.42%              | 3.77%            |
| 15.      | Net Telecomm. Plt. per \$ of Revenue | \$1.72            | \$1.64            | \$1.61            | \$1.61            | \$1.68            | 0.59%              | 4.88%            |

Notes: [1] ALLTEL Carolina, Inc. elected price regulation in June 1998. Due to the separation of its wireline business from its wireless business, effective July 12, 2006, ALLTEL Carolina, Inc. changed its name to Windstream North Carolina, Inc. Effective November 29, 2007, Windstream North Carolina, Inc. was converted into a North Carolina limited liability company named Windstream North Carolina, LLC.

[2] Reporting requirement changes for the major price regulated telephone companies were implemented, in response to passage of Senate Bill 814, by Commission Orders dated January 2 and April 16, 2004, in Docket No. P-100, Sub 72b, effective for reporting periods beginning with calendar year 2003. The April 16, 2004 Order approved the Annual Report Proposal submitted, on March 4, 2004, by the major price regulated telephone companies, which effectively superseded the annual TS-1 Report previously required. Consequently, beginning with the 4th quarter 2003 "Quarterly Review", which includes information and data for the 12-month period ending December 31, 2003, earnings, access line, and certain other data for the price regulated telephone companies are no longer provided.

[3] Source of Data: Annual Report.

[4] Net Telecommunications Plant reflects net plant for total North Carolina operations (regulated and nonregulated), including plant under construction as follows for the 12-month periods ending December 31st: 2008 - \$6,314,709; 2007 - \$14,362,281; 2006 - \$18,512,749; 2005 - \$13,189,584; and 2004 - \$9,882,424.

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